

IFR ASIA

INTERNATIONAL FINANCING REVIEW ASIA

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THE BEGINNING 

Ant to elephant

Ant Group is lining up its elephant-sized public listing in the midst of a political circus. Keeping all parties happy will require some serious acrobatics.

The Chinese fintech giant is marching towards a dual listing in October, having formally started its IPO tutorial process in Shanghai last week. A Hong Kong listing application is days away.

Assuming regulators play ball, that timetable puts it on track to complete the giant fundraising ahead of the US elections on November 3 (and affiliate Alibaba's 11.11 shopping festival eight days later).

It's easy to see why Ant's owners are so keen to get things moving. Equity markets are racing higher, fuelled by storming tech stocks, and its own earnings have never been better (its first-quarter profit gained 560% on the previous year to surpass US\$1.3bn, according to Alibaba's latest filings).

With ample liquidity out there right now, Ant has a chance of commanding a handsome valuation and could

Ant Group's IPO timeline brings the company and its affiliates into the crosshairs of US politicians.

even beat Saudi Aramco's US\$29bn IPO record. Waiting any longer risks missing that opportunity.

But this timeline also brings the company and its affiliates into the crosshairs of US politicians, with both main presidential candidates campaigning on an anti-China platform. And based on previous examples, nothing gets President Trump's attention like a successful Chinese technology company.

Ant's business is not as exposed to US politics as, say, Bytedance, which is under intense pressure to sell its TikTok unit. The US move against Tencent's WeChat platform, however, suggests that Ant's mobile payments business could well come under scrutiny. Alibaba's US listing is another touchpoint, and Ant's prospectus will make it clear how far its Alipay network overlaps with the US financial system.

Ant may also find it harder to attract US institutional investors to its Hong Kong leg if the current US

administration continues to ramp up the pressure on federal savings funds.

Juggling a deal of Ant's size would be difficult at the best of times. Completing the world's biggest listing in such an environment would be a real circus trick.

Perpetual confidence

The Covid-19 crisis is over – at least as far as the Asian bond market is concerned. Last week marked the return of the fixed-for-life perpetual bond for the first time since last November, alongside a flurry of loss-absorbing capital offerings from Asian and Australian banks and a massive high-yield bond from India. Have investors simply stopped worrying?

It is clear that the coronavirus pandemic has had a profound impact on credit markets everywhere. Lockdown restrictions have sent default rates soaring and pushed companies and governments into the capital markets to replace lost cashflow.

In Asia, bond issuance has rebounded sharply since the March sell-off, but there have been limits to risk appetite. Investment-grade companies and sovereign issuers were the first to return to the market, followed by well-known high-yield issuers, especially from China's property sector. Tenors have lengthened as investors regained their confidence.

Last week's crop of new issues take that recovery to another level, showing that investors are now confident enough to take duration risk, move down the capital structure and down the rating spectrum. A true perpetual bond from a Hong Kong landlord, the first-ever offering of Additional Tier 1 capital from a Philippine bank, and US\$1.4bn of 13%-yielding debt from Single B rated Vedanta Resources are the kind of deals that are typically reserved for far happier times.

These deals are unlikely to be isolated events. Credit spreads have yet to return to pre-Covid levels, but ultra-low rates are creating new opportunities for Asian issuers to push the envelope as investors step up their search for yield.

The economic damage wrought by the pandemic has convinced market participants that interest rates will stay low for a very, very long time, and that means more investors will gradually turn to emerging markets, lower ratings and riskier structures to top up returns. That gives more Asian issuers the chance to bolster their balance sheets and ride out the Covid crisis – in turn lifting confidence in the region's recovery. Happier times indeed.

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Perp format makes comeback

■ Bonds Hong Kong-based Hysan prices region's first fixed-for-life perpetual since November

BY JIHYE HWANG

Hong Kong landlord **HYSAN DEVELOPMENT** has priced Asia's first fixed-for-life perpetual bond in almost nine months, in a popular deal that could lure other issuers to follow suit.

The US\$300m senior guaranteed perpetual non-call three notes priced at par to yield 4.85%, inside initial guidance of 5.3% area.

The perp marks the first time Hysan has used the fixed-for-life structure and the first bond from Asia in that format since November 26, when Philippine power company AC Energy raised US\$400m.

A banker on the Hysan deal said the fixed-for-life structure tends to catch on quickly when the market is open, raising expectations of further issuance.

Nomura's desk analysts expect more fixed-for-life perps to come from Hong Kong developers such as Sun Hung Kai Properties and CK Asset Holdings, formerly Cheung Kong Property Holdings.

Hysan's Reg S offering gained strong support from investors, with a final order book of over US\$2.9bn from 149 accounts, leaving the deal almost 10 times covered. Orders peaked at US\$3.1bn before final guidance.

The new perps priced 30bp wide of Hysan's existing perpetual securities, which are subordinated but have a more investor-friendly structure with coupon resets and step-ups to minimise interest rate risk. Hysan printed a subordinated guaranteed perpetual non-call 5.5 hybrid in February at a yield of 4.1%.

Other fixed-for-life comparables include a note from CK Infrastructure that was trading at 4.08%. CKI priced that perpetual non-call five in 2017

at 4.85% and has a BBB+ rating on the notes from S&P. Hysan's new perps have an expected rating of A3 from Moody's.

Nomura saw fair value for Hysan's new bonds around 4.8% and noted that rate risk will be manageable in the coming year as US Treasury yields are expected to remain stable at current levels. It also prefers the notes to Hysan's existing ones priced in February because of the shorter three-year call date and higher yield pick-up under the low rate environment. The older perps have a coupon step-up of 25bp in year 10.5 and an additional 75bp in year 25.5.

PRIVATE BANK DEMAND

Despite a bleak outlook for Hong Kong's recession-hit economy, Hysan's new deal gained strong investor support from private banks, which took

almost a third of the notes.

"Bonds from big Hong Kong family businesses will always go well because Hong Kong retail investors like them," said one private banker. "Sometimes families and friends of the issuer will buy the bonds."

Hysan Development invests in commercial and residential properties in Hong Kong and is one of the largest commercial landlords in the Causeway Bay shopping district. The company is 41%-owned by Lee Hysan Company, which is controlled by descendants of founder Lee Hysan.

It reported a 5% drop in underlying profit in the first half of 2020 as Covid-19 weighed on the retail sector, but increased cash reserves to HK\$21.1bn (US\$2.72bn) from HK\$9.3bn six months earlier.

The new perpetuals were trading at a cash price of 101.4

in secondary last Wednesday afternoon.

Coupon payments can be deferred at the issuer's sole discretion, but are cumulative. There is also a dividend stopper and a pusher with a three-month look-back period.

Asia took 94% of the deal and the rest went to EMEA. Asset managers and fund managers bought 50%, insurers and pension funds 16%, private banks 32% and others 2%.

Wholly owned subsidiary Elect Global Investments is the issuer and Hysan Development is the guarantor.

Proceeds will be used for the general corporate purposes of the guarantor and its subsidiaries.

HSBC, JP Morgan, Mizuho Securities and UBS were joint global coordinators, joint bookrunners and joint lead managers. ■



Happy returns for Aussie duo

■ **Bonds** ANZ and NAB end six-month absence with bumper Tier 2 trades

BY JOHN WEAVERS

Two of Australia's four major banks, **AUSTRALIA AND NEW ZEALAND BANKING GROUP** and **NATIONAL AUSTRALIA BANK**, ended a six-month absence from the wholesale bond markets last week with well-received offerings of Tier 2 capital.

ANZ (Aa3/AA-/A+) broke new ground on Wednesday with a self-led A\$1.25bn (US\$906m) 10.5-year non-call 5.5-year Tier 2 Sustainable Development Goals floating-rate note.

The largest green/social/sustainability (GSS) bank issue in the Australian market and first such Tier 2 bank deal Down Under secured a hefty A\$2.1bn-plus order book from 70 investors, who have been starved of major bank supply in any format since January.

That came two days after NAB (Aa3/AA-/A+) secured a huge US\$5.2bn order book for a US\$1.5bn 2.332% 144A/Reg S 10-year bullet Tier 2.

The absence of senior major bank issuance, due to surging deposits and the Reserve Bank of Australia's A\$90bn Term Funding Facility, has caused substantial spread tightening and unusually large non-major bank trades as investors look to put their post-redemption cash piles to work.

Though senior supply is unlikely to revive anytime soon, the Big Four still have to meet high Tier 2 targets set by the Australian Prudential Regulatory Authority. This requires them to raise a combined A\$50bn net between July 2019 and January 2024, or A\$83bn gross after including maturing notes.

"In addition to the lack of senior supply, investors are more comfortable and have higher limits for the Tier 2 asset class, while the demand

for socially responsible investments has been on a sharp upward trajectory for several years now," said Paul White, global head of capital markets at ANZ.

ANZ's new subordinated note, with expected ratings of Baa1/BBB+/A-, priced 15bp

"In addition to the lack of senior supply, investors are more comfortable and have higher limits for the Tier 2 asset class, while the demand for socially responsible investments has been on a sharp upward trajectory for several years now."

inside 200bp area guidance at three-month BBSW plus 185bp.

It subsequently moved in to 183bp or 7bp tighter than the 190bp spread seen for NAB's outstanding A\$1.4bn standard Tier 2 note, which is callable nine months after the ANZ SGD note, in November 2026.

White said this secondary performance reflects ESG investors' stronger commitment and appetite for suitable assets than is generally seen for regular bonds.

Australian investors bought 88% of the note with Asia allotted 7% and New Zealand 4%, rounded to the nearest percentage point.

Asset managers took 83%, insurance companies 7%, banks 4%, middle market 3% and others 3%.

Wednesday's sale was the fourth GSS bond since 2015 from ANZ, which has also helped arrange numerous transactions for other issuers over that time, enabling its sustainable finance and capital markets teams to better understand the needs of the investor base.

ANZ sold its first green bond, a domestic A\$600m five-year

deal, in May 2015. Though that was a fixed-rate senior note there was a lot of crossover interest in the new Tier 2 floating-rate offering.

After that initial transaction, ANZ looked to ramp up GSS bond issues aligned with the United Nations' Sustainable

Development Goals and established an SDG bond framework in February 2018.

ANZ has committed A\$50bn to fund and facilitate SDG-linked sustainable projects for customers by 2025. These include environmental initiatives, increased access to affordable housing and better financial wellbeing.

ANZ debuted in the euro GSS market in February 2018 with a €750m (then US\$929m) 0.625% five-year Sustainable Development Goals Eurobond. It followed with a €1bn SDG 10-year non-call five 1.125% Tier 2 Eurobond last November, the first GSS and SDG subordinated bond from a bank in a developed country.

Following the latest transaction, ANZ now has around A\$4bn-equivalent of SDG bonds on issue.

Katharine Tapley, head of sustainable finance at ANZ, said impact-style investors are especially interested in ANZ's SDG bonds because they can use ANZ's annual impact reporting on the bond to measure the tangible results from their investments in sectors including aged care,

hospitals and CO2 emissions reductions and report that back to their own clients in turn.

"Independent reviews are important as they enable investors to be confident in the credibility and robustness of the transaction structure," she said.

STRONG YANKEE BID

Two days before ANZ's landmark trade, NAB turned to the Yankee market for a Tier 2 boost.

Joint bookrunners *Citigroup*, *HSBC*, *JP Morgan*, *NAB* and *TD Securities* were able to price the deal well inside 190bp–195bp area initial price thoughts at Treasuries plus 165bp.

American investors bought 61.7% of the note with APAC taking 26.5% and EMEA 11.8%.

Fund managers were allotted 51.8%, insurance companies and pension funds 33.4%, central banks and official institutions 8.0%, hedge funds and private banks 4.4% and banks 2.4%.

The previous major bank issuance in US dollars was in January when ANZ sold a US\$1.25bn 2.9% 10.5 non call 5.5-year 144A and Westpac printed a US\$1.5bn 2.894% 10 non-call five global, priced at Treasuries plus 133bp and 135bp, respectively.

Because both the prior Tier 2 notes have callable rather than bullet structures NAB had no obvious comparable to price off which helped the leads drive down pricing, according to one banker on the trade.

Last week's sales take ANZ and NAB nearer to their estimated individual net Tier 2 issuance requirements by 2024 of A\$12bn and A\$12.1bn which would lift their ratios of capital to risk-weighted assets by three percentage points to the new 17% minimum target.

Commonwealth Bank of Australia and Westpac have similar estimated net targets of A\$13bn apiece. ■

Ant kicks off Star preparations

■ **Equities** October listing in sight with Hong Kong IPO filing expected this month

BY FIONA LAU

Chinese digital payments unicorn **ANT GROUP** has kicked off preparations for a Shanghai Star IPO, paving the way for a simultaneous A/H listing that could fetch more than US\$20bn in October.

Ant, the parent company of Alipay, China's largest mobile payments business, has begun a tutorial with CICC and CSC Financial to familiarise itself with the listing requirements of the Star board before formally filing a listing application, according to a document published on the website of the Zhejiang bureau of the China Securities Regulatory Commission on August 14.

The tutorial process in the mainland Chinese market typically takes around three months, but some recent high-profile listings have shortened that timeframe considerably.

Last Friday, Ant also applied for an overseas listing with the China Securities Regulatory Commission, a prerequisite for its Hong Kong offering.

Ant's Hong Kong listing application is expected to be filed as early as the week of August 24, other people close to the deal told IFR earlier, again putting an October listing on the cards.

"For such a landmark transaction, the regulators will do whatever they can to facilitate a fast listing," said a banker away from the deal.

The dual listing could value Ant at more than US\$200bn, with the Hong Kong leg raising about US\$10bn, according to people close to the deal. Total proceeds could even reach US\$30bn if market conditions

allow, said the people, challenging Saudi Aramco's US\$29bn IPO as the world's largest.

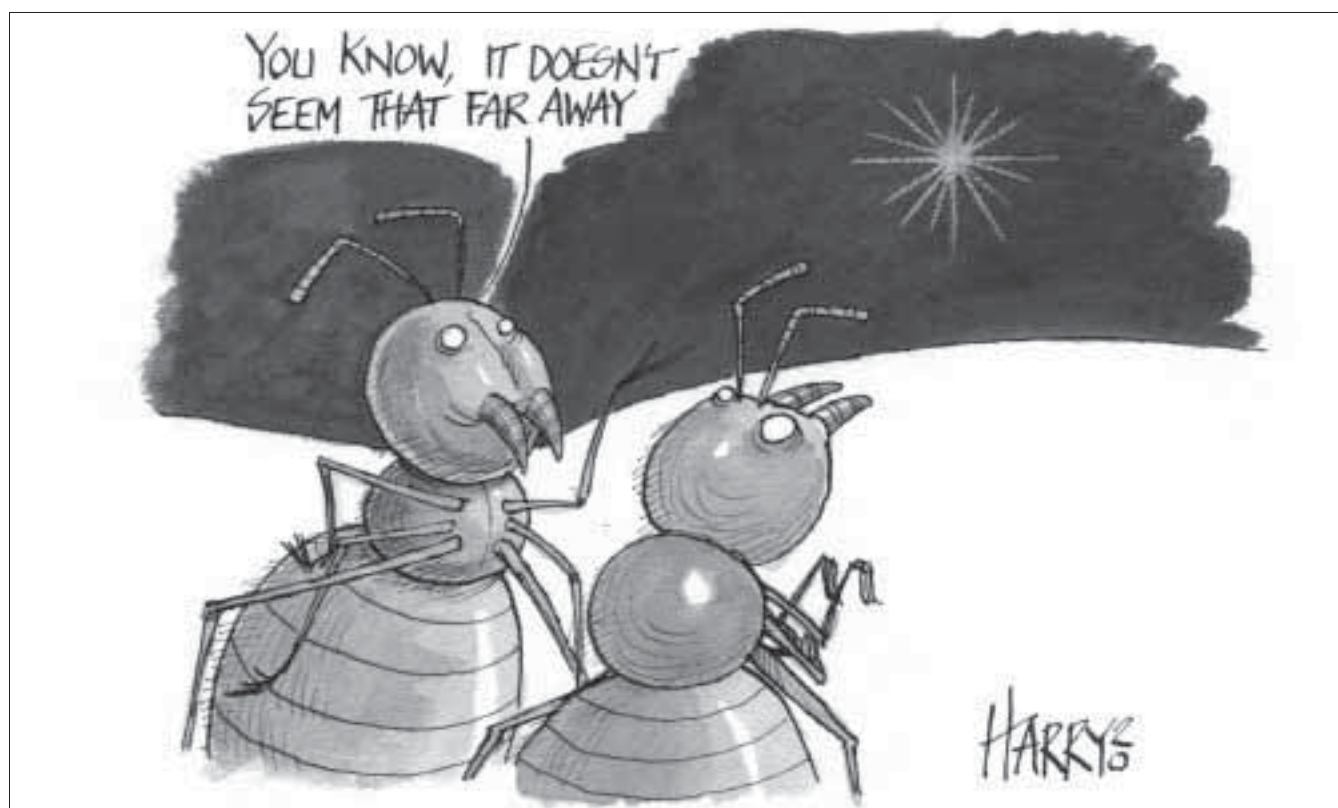
Given the deal's mammoth size and its significance for the development of the Nasdaq-style Star market, regulatory approval for Ant's highly anticipated IPO could take even less time than that for the Rmb53.2bn (US\$7.7bn) Star IPO

TECH CHARGE

ANT SHAREHOLDER ALIBABA HAS GAINED FROM THE PANDEMIC (NYSE, US\$)



Source: Refinitiv



of Hong Kong-listed Chinese chipmaker Semiconductor Manufacturing International in July.

It took SMIC around 70 days to complete its Star IPO. The chipmaker started an IPO tutorial on May 7 and filed a listing application on June 1. It won listing approval on June 19 and conducted bookbuilding on July 7. The shares started trading on July 16.

While Ant does not have SMIC's track record as a listed company, it is no secret that the Alibaba affiliate has been planning an IPO for years.

In the Shanghai Star market, IPO tutorials are handled by the sponsors, who are then required to buy 2% of the offering, up to a cap of Rmb1bn, and hold the shares for two years.

Ant is working with CICC, Citigroup, JP Morgan and Morgan Stanley on the Hong Kong IPO.

Ant contributed Rmb3.03bn in earnings for Alibaba in the three months to March 31, according to the e-commerce giant's latest earnings report. As Alibaba owns a 33% stake in Ant, that would mean Ant made a Rmb9.2bn profit in the first quarter, up 560% from the same period last year.

Ant raised US\$10bn at a valuation of about US\$150bn in a 2018 funding round backed by global sovereign wealth funds and private equity firms such as GIC, Temasek, Warburg Pincus, Carlyle Group and Sequoia Capital.

Alibaba spun off Alipay in 2011 to create Ant Financial, which was renamed Ant Group in May 2020. Ant provides digital financial services including payments, insurance and wealth management, and served 1.3 billion customers in the 12 months to March 31 2020, according to Alibaba's latest annual report.

As of March 31, Alibaba founder Jack Ma controlled approximately 50% of Ant through equity investment partnerships, while Alibaba and other shareholders own the remainder. ■

SBI smashes Tier 2 rupee record

■ **Bonds** Giant bank capital offering will lift capital adequacy ratio to 13.9%

BY KRISHNA MERCHANT

STATE BANK OF INDIA launched its latest fundraising programme in style, printing the largest-ever subordinated bond in rupees as it strengthened an already strong capital ratio.

India's biggest public sector bank issued Rs89.31bn (US\$1.2bn) of 15-year Basel III-compliant Tier 2 bonds, exceeding the previous record of Rs50bn. Despite the large

Long-only investors including state-run Life Insurance Corp and Employees' Provident Fund Organisation are understood to have taken up a substantial part of SBI's latest issue, which received bids totalling Rs132.89bn. Mutual funds also participated.

STATE SUPPORT

Indian public sector banks will need Rs1.9trn-Rs2.1trn in external capital over the

six-month moratorium on loan repayments ends on August 31.

The restructuring scheme has given banks an opportunity to build capital buffers while they delay the full recognition of the coronavirus pandemic's impact on loan portfolios, said Fitch in a note dated August 11.

However, for state-owned banks, the RBI's move is likely to be insufficient to mitigate risks without further capital support from the government. Banks still have to set aside 10% provisions for restructured loans under the scheme. Fitch warned that state-owned banks would struggle to maintain a 6.125% common equity Tier 1 ratio under a high-stress scenario.

SBI's overall capital adequacy ratio was 13.4% at the end of June, well above regulatory requirement of 11.5% as of September 30. It reported a CET1 ratio of 10.14%.

"Since it is a systematically important bank, it needs to maintain higher capital than 11.5%," Anil Gupta, vice president – financial sector at Icra, said. The Tier 2 bond offering will increase the capital adequacy ratio by around 50bp to 13.9%, according to analysts.

In July, SBI's board approved plans to raise Rs210.15bn of Tier 2 bonds. The lender plans to use Rs110.15bn of proceeds to redeem Tier 2 notes of the same amount with call dates in fiscal year 2021 and the remainder to grow its balance sheet. The lender posted an 81% increase in net profit for the June quarter to Rs41.9bn compared to a year ago.

SBI Capital Markets was the arranger for the deal. The Tier 2 notes are rated AAA by Care and Crisil. ■

Union Bank of India, Indian Bank and Canara Bank are planning to raise up to Rs40bn combined from Basel III-compliant Additional Tier 1 bonds, according to market sources.

size, the securities priced at an attractive 6.8%, with a call option after 10 years.

The deal's success is good news for India's banks. Many are lining up bond offerings after the central bank announced a one-off window earlier this month allowing banks to restructure loans hit by the Covid-19 pandemic without immediately recognising them as bad debts.

"Other public sector banks are contemplating to sell subordinated and Additional Tier 1 bonds after SBI's successful issuance," said Ajay Manglunia, managing director at JM Financial.

UNION BANK OF INDIA, INDIAN BANK and **CANARA BANK** are planning to raise up to Rs40bn combined from Basel III-compliant Additional Tier 1 bonds, according to market sources. The perpetual notes will have a call option after five years.

SBI also has board approval to sell up to Rs40bn of AT1 capital. Government approval is pending.

next two years to restore loss-absorbing buffers as the Covid-19 crisis erodes asset quality. Non-performing loans are expected to rise to 14.5% of banking assets by March 2022 from 11.0% as of March 2020, which will drive up credit costs, Moody's said in a note on August 21.

"The most likely source of capital to plug these capital shortfalls is the government, despite its completion of a large recapitalisation just a few months ago," wrote Moody's. The government has yet to announce such plans, but sources say some public sector banks have made requests for more capital.

The stock market is an option for some banks, but analysts expect the government to resist dilution while bank valuations are depressed.

The Reserve Bank of India is allowing lenders to restructure loans hit by the Covid-19 pandemic in part to head off a sudden spike in non-performing assets once the

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Rare boost for Singapore ECM

■ **Equities** Wilmar block, EB raises US\$850m for US agri giant ADM

BY S ANURADHA

A rare jumbo offering from beyond the property sector has breathed new life into Singapore's equity capital markets.

US agri trader Archer Daniels Midland last Wednesday raised US\$850m from its stake in Singapore-listed **WILMAR INTERNATIONAL**, split between a US\$550m block trade and US\$300m exchangeable bond.

The block trade, upsized from an initial US\$500m target, is Singapore's biggest overnight block since Temasek sold S\$1.28bn (US\$934m) of Singapore Telecommunications shares in 2012.

The zero-coupon three-year EB was priced at 104, implying a negative yield of -1.3%. This is the lowest yield on an Asia Pacific exchangeable, beating

the -0.5% offered by Taiwan's United Microelectronics in 2009.

The deals had a lot to recommend them. ADM's

backing of an A rated issuer and a potential A-share listing."

Moody's has an A2 rating on ADM with a stable outlook.

The Wilmar block priced at

"It was a blowout transaction with the EB books covered nine times. The pricing dynamics were strengthened by the backing of an A rated issuer and a potential A-share listing."

strong A2/A credit rating, the upbeat outlook for the agri-commodity sector and the planned ChiNext IPO of Wilmar subsidiary **YIHAI KERRY ARAWANA** attracted investors.

"It was a blowout transaction with the EB books covered nine times," a banker on the deal said. "The pricing dynamics were strengthened by the

the bottom of a S\$4.40-\$4.55 range and was upsized from US\$500m. Around 170.5m Wilmar shares were sold, equal to a 2.68% stake.

The final price represents a 9.5% discount to the last closing price of S\$4.86. Wilmar shares closed 10% lower at S\$4.36 on Thursday, up 5.8% this year.

Wilmar's EB is only the

second negative-yield equity-linked offering this year in Asia after Anta Sports Products issued €1bn (US\$1.18bn) of convertible bonds in January at a negative yield of -0.05%.

The exchangeable premium of Wilmar was fixed at 22.5%, from a range of 20%-25%. The EB traded up to 106 last Thursday.

The block and the EB were multiple times covered with demand from regional and global international long-only investors and hedge funds. Around 80 accounts participated in the block and 100 in the EB.

"Usually long-only institutions account for 50%-55% of a convertible or exchangeable book, but in this transaction, they were around 60%-70%," another ECM banker on the deal said.

Australia Inc pivots to clubs

■ **Loans** Maturities shorten as pandemic spurs risk aversion

BY MARIKO ISHIKAWA

Australian companies are accepting shorter loans from fewer lenders as the coronavirus crisis weighs on risk appetite in the banking sector.

Club loans account for 45.5% of all major Australian financings so far this year, the highest since 2015 and up from 34% in 2019, according to Refinitiv LPC data tracking loans involving more than one lender.

That is a shift from recent years, when lenders were more willing to underwrite a deal at competitive terms.

"Borrowers can be price-sensitive when it comes to underwritten loan structures, particularly when some borrowers already have a supportive group of existing

lenders," said Scott Austin, head of loan capital markets Australia at Sumitomo Mitsui Banking Corp in Sydney.

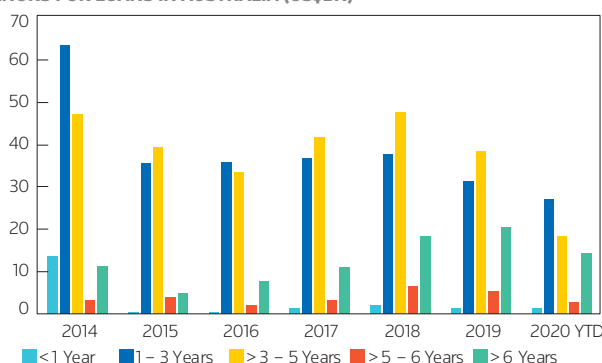
"For these borrowers it is certainly a feasible option to pursue a club deal by harmonising terms amongst the established group of lenders."

Corporate borrowers are also keen to minimise the risk of a failed deal. "A lot of borrowers prefer to do club deals or syndications with bigger arranging bank groups which give them more certainty and safety," said John Corrin, global head of loan syndications at ANZ in Hong Kong. While

syndicated deals help arranging banks manage their risk and borrowers broaden their funding sources, recent travel restrictions and lockdown measures have made it harder to bring deals to the wider market.

Lenders have also been tied up managing their loan books and dealing with amendments and waivers for existing clients, and may not be actively looking to add risk or expand their customer base.

TENORS FOR LOANS IN AUSTRALIA (US\$BN)



Source: Refinitiv LPC

SHORTER TENORS

Loan maturities have also shortened dramatically. Down Under. Tenors between one to three years have been the most popular this year, amounting to US\$27bn of loan volume so far compared to US\$18.3bn of facilities maturing in more than three years and up to five years, according to Refinitiv LPC data.

LENDLEASE GROUP closed an A\$800m two-year syndicated

SHOT IN THE ARM

The Wilmar deals are a shot in the arm for a Singapore equity market that has virtually dried up amid the Covid-19 pandemic. Eight months into the year, equity offerings have reached less than half last year's record US\$9.66bn total – driven, as usual, by real estate investment trusts. What is more, almost all of this year's US\$4bn total came from just one deal – Singapore Airlines' rights issue.

Still, some market participants cautioned that the transactions might not be reasons for optimism. They were concerned because the Wilmar block came just before Yihai Kerry's planned Rmb13.9bn (US\$2bn) IPO on the Shenzhen Stock Exchange's ChiNext.

Before the sell-down, Wilmar's shares had risen 25% since it said on June 23 that the China unit had filed a draft prospectus for the Shenzhen listing.

“A large institutional exit

just before the IPO can give the impression that valuations have topped,” an ECM banker away from the deal said.

The IPO of the agricultural and food processing company is slated to be the biggest on the start-up board and is awaiting final regulatory approval.

ADM AG is the issuer of the bonds and Archer Daniels the guarantor. Both are subject to a 180-day lock-up.

ADM said it would retain at least a 20% stake in Wilmar after the block and EB, including any exchange of the bonds. It plans to use the funds for general corporate purposes, which may include acquisitions, debt repayment and its stock buyback plan.

Bank of America, Citigroup and Goldman Sachs were bookrunners on the block and EB, while Barclays was the passive bookrunner. BNP Paribas and Deutsche Bank were co-managers on both portions, with MUFG joining as co-manager on the EB. ■

loan in June and raised a A\$990m self-arranged five-year club loan in January for an office tower development in Sydney.

In June, Australian retail property group VICINITY CENTRES said it was seeking A\$300m of new short-term facilities and extending A\$650m of existing debt after suspending the syndication process of a A\$300m seven-year loan in March.

“There has been a shift from five-years to two or three-years, or even bridge-style deals,” said ANZ's Corrin.

“I think we are beginning to go back to normal and will find more five-year deals. It's unlikely that we will see too many seven or 10-year deals that we have seen in previous years.”

Longer loans had become more popular in recent years as lower pricing pushed lenders beyond the traditional tenors in search of higher returns. In 2019, Australian borrowers

raised US\$20.5bn from loans maturing in more than six years, up from just US\$4.64bn in 2015.

Some bankers expect that trend to resume after the Covid-19 situation stabilises.

“Once banks get through the initial period of volatility in global credit markets and their funding costs and liquidity stabilise, they can start to lengthen tenors on loans to their corporate and institutional customers,” said SMBC's Austin.

“We saw a pullback in tenors to two and three years in the March-April period when liquidity was constrained and funding costs were moving,” Austin added.

“As markets have stabilised, with assistance from central bank initiatives, tenors are comfortably back out to five years. I don't think it will be too long before we start to see seven-year loans come back for high-grade borrowers in defensive sectors.” ■

China-UK listings brave political tension

■ **Equities** Two deals target US\$3bn–\$4bn in September despite deteriorating relations

BY FIONA LAU

Shanghai-listed CHINA YANGTZE POWER and SDIC POWER are planning to offer global depositary receipts in London next month to raise a combined US\$3bn–\$4bn, even as political tensions between China and the UK intensify.

Relations between the two nations have become increasingly strained over issues including the national security law in Hong Kong and Huawei's involvement in Britain's 5G network. Diplomatic frictions have made cross-border offerings unpredictable, although dealmakers continue to look for windows of opportunity.

“September is the target for now,” said a person familiar with the deals. “We just hope the political tension won't rise further so the deals can go out as planned.”

Yangtze Power, which generates electricity from Asia's longest river, is preparing to float a stake of around 5% through an offer of GDRs representing up to 1.1bn A-shares. Based on the company's closing price of Rmb18.98 in Shanghai on Thursday, the deal could raise about Rmb20.9bn (US\$3bn).

CLSA, Goldman Sachs, Huatai Financial and UBS are leading the transaction. Yangtze Power still needs approval from the China Securities Regulatory Commission, which agreed to review its GDR issue in mid-July.

This is not SDIC's first crack at the UK market. The power generator postponed a GDR sale in December, citing market conditions. People close to the deal previously said that the company delayed it because the prices investors were willing to pay were too low. At the time, however, it was also reported that China had temporarily blocked cross-border listings

between Shanghai and London because of political tensions with Britain.

SDIC plans to sell up to 10% of its outstanding share capital, or not more than 679m A-shares, in the form of GDRs. Based on the company's closing price of Rmb9.15 on Thursday, the deal could raise about US\$898m.

Goldman Sachs, HSBC and UBS are working on the deal. As of last Thursday, Yangtze Power's A-shares were up 3.3% this year while SDIC was down 0.2%.

Shanghai and Hong Kong-listed China Pacific Insurance Company in June sealed a US\$1.81bn GDR offer in London, ending a year-long wait for the second listing via the Shanghai-London Stock Connect trading link.

In June 2019, Huatai Securities raised US\$1.7bn from a landmark sale of GDRs in London, marking the launch of the Stock Connect, which deepened ties between the two financial centres and opened a new channel for Chinese companies to raise funds.

CPIC's deal also set a new benchmark for GDR pricing. The insurer sold GDRs at US\$17.60 each, or a 10.3% discount to its A-share pre-deal close. Huatai's GDRs priced at a 26% discount to its A-shares, and that discount has since been completely erased.

“Both Yangtze Power and SDIC will try to price their deals at no more than a 10% discount and are likely to bring in cornerstone investors as CPIC did,” said another person close to the situation.

Cornerstone investor Swiss Re took 28% of the CPIC deal.

GDRs in CPIC closed at US\$21.40 last Thursday, 22% above the issue price. Trading of the stock, however, is still concentrated in Shanghai, then Hong Kong. ■

Vedanta bond hits buyout target

■ **Bonds** Indian commodities company issues note to help fund corporate streamlining

BY DANIEL STANTON

VEDANTA RESOURCES exceeded expectations with a US\$1.4bn bond offering that will allow chairman Anil Agarwal to take its India-listed subsidiary private.

The amortising three-year bonds priced at par to yield 13%, inside initial guidance of 13.25%, and drew final orders of over US\$2.4bn from 107 accounts.

Monday's deal was well anchored, with real money accounts among those putting in US\$100m-plus orders.

"Existing holders who had a very sizeable exposure across the curve wanted this transaction to go through and benefit the old bonds, so they saw the benefit in anchoring the deal," said one of the leads.

This was the first Indian

high-yield deal since the coronavirus pandemic roiled global capital markets five months ago, sending Vedanta Resources' dollar bonds down to cash prices in the 30s in March.

"Existing holders who had a very sizeable exposure across the curve wanted this transaction to go through and benefit the old bonds, so they saw the benefit in anchoring the deal."

Vedanta Resources, which delisted from London in 2018, owns a 50.1% stake in India-listed Vedanta Limited and wants to acquire the remaining 49.9%.

The energy and resources company had been aiming for

a deal size of US\$1.25bn to accompany a previously agreed US\$1.75bn three-month loan facility. The company said in a press release that "this is the maximum incremental leverage we can consider in our

capital structure".

It is expected to need around US\$3bn to fund the acquisition of the minority shares in Vedanta Ltd, based on the current market price, which will streamline its corporate structure and give it access

to cash held at subsidiaries, enabling it to deleverage.

"Investors have been saying forever that they don't like the complicated corporate structure," said a second lead. "If you take out that structure and look at the margins in the business, it's very healthy."

The quirks of the Indian takeover system mean that the final price has not yet been determined and the stock price has jumped about 60% since Vedanta Resources made a formal offer.

SECURITY PACKAGE

Vedanta Resources' outstanding bonds are still quoted at yields in the high teens, but the transformational nature of the planned transaction and the improved security package helped the new bond price well inside them.

RCBC seals first Philippine AT1

■ **Bonds** Bank taps offshore bond market to avoid diluting shareholders

BY JIHYE HWANG

RIZAL COMMERCIAL BANKING CORP has set a landmark for the Philippines banking sector, raising US\$300m from the country's first US dollar Additional Tier 1 under Basel III.

The Baa2 rated bank's offering of perpetual non-call five AT1 notes priced at par to yield 6.5%, inside initial guidance of 6.75% area.

The deal from the country's eighth-largest bank sets the stage for more AT1 issuance in the South-East Asian market. Among the comparable credits used when pricing the offering was the first AT1s from Thailand issued by TMB Bank, formerly known as Thai Military Bank, in November last year.

The Thai bank's notes, rated

Ba3 by Moody's, were trading around 6.5%, according to Tradeweb prices. RCBC's AT1s also have an expected rating of Ba3.

A DCM banker away from the deal said final pricing was in line with fair value, but

A DCM banker away from the deal said final pricing was in line with fair value, but said RCBC had been eyeing a much lower yield, based on the extremely tight yields achieved by Philippine corporate issuers recently.

said RCBC had been eyeing a much lower yield, based on the extremely tight yields achieved by Philippine corporate issuers recently.

However, the yield seemed reasonable, given that other larger banks in the Philippines,

such as BDO Unibank and Metropolitan Bank & Trust, have senior bonds trading in the low-2% range. In more mature bank capital markets, AT1s typically trade at a spread of around 350bp–400bp over senior unsecured notes.

"The onshore bid usually drives tight pricing for corporate bonds from the Philippines, but investors would look more at AT1 comparables," the banker said. Some analysts had expected it to pay more: independent

research house CreditSights had estimated fair value at around 8% for the new issue.

The new notes traded up on their first day, last quoted at a yield of around 6.3%.

The subordinated unsecured Reg S notes were two times covered, receiving final orders of over US\$600m. Orders peaked at more than US\$825m at the time final guidance was announced at 6.5%.

The issue size was capped at US\$300m due to regulatory approvals.

The securities will be written down if the Philippine central bank deems the issuer to be unviable without a write-off or capital injection, but there is no trigger linked to the bank's minimum core equity Tier 1 ratio – unlike in some jurisdictions.

Coupons will reset at the first call date and every five years thereafter to Treasuries plus the initial spread. They can be cancelled at the bank's

Existing bonds are unsecured and issued from the holding company level, but the new bond will be issued by Vedanta Holdings Mauritius II with guarantees from the parent and certain subsidiaries. It is secured against 100% stakes in Vedanta Holdings Mauritius and Vedanta Holdings Mauritius II, the entities that would collectively own up to 49.9% of Vedanta Ltd acquired from minority shareholders.

The new bond has an amortising structure, so holders will be repaid their principal in equal instalments at 24, 30 and 36 months. That puts the weighted average maturity at 2.5 years. The bonds are also callable after two years.

"This is not a China property high-yield bond where no one even looks at the covenant package," said another lead. "There was huge scrutiny of everything."

Joint global coordinators and bookrunners *Barclays, Credit*

Suisse, Deutsche Bank, JP Morgan and Standard Chartered came up with structural enhancements and tweaked call dates and prices in response to investor feedback.

Investors in the dollar bond will be refunded at 101% of their principal plus accrued interest if the buyout fails. The bank debt package will also be

them on credit watch with developing implications to reflect the uncertainty around the buyout. S&P said it could upgrade Vedanta Resources to B if refinancing risks ease.

The company's leverage is expected to rise in the short term as it takes on debt to fund the buyout. S&P expects the group's leverage to rise to

maturing in 2021 or to repay them at maturity.

Vedanta Resources in June completed a consent solicitation and won approval from holders of its existing bonds to allow more secured borrowing.

The outstanding bonds rallied in recent weeks on news of the coming deal, but dropped around two points on Monday as investors made room for the new issue.

Asia Pacific took 63% of the 144A/Reg S bonds, US investors 26% and EMEA 11%. Funds booked 93%, private banks and corporates 4%, and others 3%.

The new bonds were trading around 101 on Tuesday morning.

This was the first Indian high-yield deal since global stock markets began to collapse in early March. Back then, Lodha Developers International squeezed through a US\$225m three-year non-call one deal rated Caa1 by Moody's and yielding 14%. ■

"This is not a China property high-yield bond where no one even looks at the covenant package. There was huge scrutiny of everything."

unwound if that happens.

Thanks to the security package, the notes have expected ratings of B3/B by Moody's/S&P, above the company ratings of B1/B-.

Moody's has a negative outlook on Vedanta Resources' ratings, while S&P has put

6.5x-7.0x in the 2021 fiscal year, from 5.0x-5.5x at the end of March, before declining to about 5.0x at the end of FY 2022.

Any surplus proceeds from the bonds will be used to fund a tender offer at par for Vedanta Resources' dollar bonds

discretion and are non-cumulative.

Coupon payments will also be stopped if the bank breaches regulatory capital requirements, has insufficient distributable profits, or if the regulator orders it. There is a dividend stopper but no coupon step-up.

RCBC's capital adequacy ratio stood at 13.8% at the end of the first quarter, down 2.4 percentage points from March 31 2019. Its core equity Tier 1 ratio was 12.9%, down half a percentage point.

Philippine Basel III standards require banks to maintain a

minimum capital adequacy ratio of 10% plus a capital conservation buffer of 2.5%, which must be in the form of core equity Tier 1 capital on top of the minimum 6.0% CET1 ratio.

OFFSHORE APPEAL

RCBC has been raising funds from the onshore bond market recently as part of its efforts to grow its loan business, with the bonds issued since 2019 totaling at Ps54.17bn (US\$1.1bn).

While local banks have in the past preferred to meet their Tier 1 capital requirements by

selling equity, the bank decided to go offshore because it did not want to dilute its shareholders, according to a source close to the deal.

RCBC's current market cap stands at about US\$652m.

Offshore yields are also attractive relative to the onshore market, where BDO Unibank raised Ps40.1bn from a 2.5-year bond in February at a coupon of 4.41%, the country's biggest corporate bond on record.

The new AT1s also benefited from the issuer's powerful backer. Yuchengco Group of Companies, one of the largest

family-owned conglomerates in the Philippines, is RCBC's majority shareholder.

Asia bought 79% and the rest went to investors from Europe and the Middle East. Asset managers took 59%, private banks 24% and hedge funds 17%.

Proceeds will be used to finance medium to long-term asset growth and build sufficient buffers above the minimum capital thresholds required by the central bank, as well as general corporate purposes.

Credit Suisse was sole global coordinator and bookrunner. ■

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■ TOP STORY RESULTS

Westpac scraps interim dividend

Australia's oldest lender becomes first major to cancel payout

WESTPAC BANKING CORP became the first major Australian bank to scrap its dividend following the Covid-19 pandemic, underscoring the pressure lenders face despite the country's top regulator giving them the green light to resume payouts.

Australia's second-largest lender by assets said on Tuesday that it was cancelling its interim dividend as it continues to grapple with record-low interest rates, loan holidays for struggling borrowers and the country's first recession in nearly three decades.

"This was a difficult decision, but given the uncertainty, we felt it's prudent to review dividends at the full-year. We've effectively prioritised balance sheet strength, given the uncertain outlook," CEO Peter King said during an analyst briefing on the bank's third-quarter results.

Analysts said that Westpac would not have taken the decision lightly and pointed to capital pressure as evidence that the Covid-19 crisis was continuing to weigh on its outlook.

Some analysts even suggested that the bank would be forced to cancel its full-year dividend and potentially raise fresh capital.

"The previously 'deferred' 2020 interim dividend has been now zeroed and given the weak pro-forma CET1 [common equity Tier 1], we still think Westpac could raise capital if and when the Austrac situation is finalised," Jefferies analyst Brian Johnson wrote in a note to clients, referring to the investigation by Australian financial crime regulator, Austrac, into Westpac over money laundering allegations.

REST OF BIG FOUR

Westpac's decision puts it at odds with the rest of the big four after Australia and New Zealand Banking Group announced on Wednesday a fully franked interim dividend of A\$0.25 per share, down from A\$0.80 per share last year.

National Australia Bank had earlier announced an interim dividend of A\$0.30 per share, down from A\$0.83 last year, while Commonwealth Bank of Australia, which reports on a different financial timetable, announced a full year dividend of A\$0.98, down from A\$2.31 previously.

A few weeks ago, the Australian Prudential Regulation Authority became the first major regulator globally to lift restrictions on dividend payments introduced in response to Covid-19.

APRA's dividend climbdown came with several caveats including that for the remainder of the year banks continue to carry out regular stress tests and retain at least half their earnings when making capital distributions.

In any case, analysts expect banks to remain prudent when deciding on their full-year dividends given continued capital pressure, despite disquiet from retail shareholders.

"We believe paying a dividend, however modest, in the current environment to satisfy the financial 'needs' of one cohort of shareholders is not necessarily in the interests of all shareholders," wrote UBS analyst Jonathan Mott in a research note sent to clients.

CAPITAL BUFFER

Westpac announced on Tuesday that cash earnings for the quarter ending June 30 came in at A\$1.32bn (US\$948m), much higher than the A\$497m average over the last two quarters.

This was primarily due to an easing in expected credit losses to A\$574m after A\$1.85bn in provisions were set aside at the end of the fiscal first half.

Westpac's CET1 ratio came in at 10.8%, down 1bp quarter on quarter, as the capital contribution from cash earnings was fully offset by an increase in risk-weighted assets.

The bank's core equity ratio is now perilously close to the 10.5% minimum required under APRA's unquestionably strong capital target.

Although the prudential regulator suspended the target in March, some analysts said they expect Westpac to follow NAB, which raised A\$3.5bn in April to buttress its capital, rather than dip below the 10.5% threshold.

King, however, appeared to keep that option open.

"I am prepared to use the buffer," he said. "Remember, the regulatory top of the capital conservation buffer is 8% so we would still be a strong bank at that point."

Meanwhile, ANZ reported on Wednesday that its cash earnings for the April-June quarter came in at A\$1.5bn compared with an average of A\$707m for the last two quarters due to much lower provisioning.

THOMAS BLOTT

Who's moving where...



■ **CITIGROUP's Korea**
CEO, Jin-Hei Park, is retiring from the bank. Park's last day as Korea CEO will be on August 31, according to a memo IFR has seen. Park has been with Citigroup for over 35 years, having started in treasury in 1984. He was named corporate and

investment banking head of Citigroup in Korea in 2007 before being promoted to country head in 2014. Myung-Soon Yoo will take on the role of interim chief country officer for Korea until a permanent successor is appointed.



■ **DEUTSCHE BANK**
has named veteran banker Huynh Bui Quang as its new Vietnam chief country officer, pending approval by the State Bank of Vietnam. Quang was most recently chief executive of Hanoi-based Maritime Bank and has held a number of leadership

roles across multiple banking functions during his career, spanning trade finance and credit risk management. He is a replacement for Hans-Dieter Holtzmann, who relocated to Frankfurt to take up a new position in Deutsche's corporate bank.

Fears of financial Iron Curtain emerge

A sharp escalation in tensions with the US has stoked fears in China of a deepening financial war that could shut it out of the global dollar system – a devastating prospect once considered far-fetched but now not impossible.

Chinese officials and economists have in recent months been unusually public in discussing worst-case scenarios under which China is blocked from dollar settlements, or Washington freezes or confiscates a portion of China's huge US debt holdings.

Those concerns have led to calls to give greater global clout to the renminbi and to decrease reliance on the greenback.

Some economists have even floated the idea of settling exports of Covid-19 vaccines made in China in renminbi, and are looking to bypass dollar settlement with a digital version of the currency.

"Yuan internationalisation was a good-to-have. It's now becoming a must-have," said Shuang Ding, head of Greater China economic research at Standard Chartered and a former economist at the People's Bank of China.

Although a complete separation of the world's two largest economies is unlikely, the US has been pushing for a partial decoupling in areas related to trade, technology and financial activity.

Washington has unleashed a barrage of actions penalising China, including proposals to bar US listings of Chinese companies that fail to meet US accounting standards and bans on the Chinese-owned

TikTok and WeChat apps.

"A broad financial war has already started ... the most lethal tactics have yet to be used," Yu Yongding, an economist at the state-backed Chinese Academy of Social Sciences who previously advised the PBoC, told Reuters.

Yu said the ultimate sanction would involve US seizures of China's US assets – including over Rmb1trn (US\$144bn) in US government debt – which would be difficult to implement and a self-inflicted wound for Washington.

But calling US leaders "extremists", Yu said a decoupling is not impossible, so China should make preparations.

HIGH STAKES

The stakes are high. Any move by the US to cut China off from the dollar system or retaliation by China to sell a big chunk of US debt could roil financial markets and hurt the global economy, analysts said.

Fang Xinghai, a senior securities regulator, said China is vulnerable to US sanctions and should make "early" and "real" preparations. "Such things have already happened to many Russian businesses and financial institutions," Fang told a June forum organised by Chinese media outlet Caixin.

Guan Tao, former director of the international payments department of China's State Administration of Foreign Exchange and now chief global economist at BOC International (China), also said Beijing should ready itself for decoupling.

"We have to mentally prepare that the United States could expel China from the dollar settlement system," he told Reuters.

In a report he co-authored last month, Guan called for increased use of China's renminbi settlement system, Cross-Border Interbank Payment System, in global trade.

Most of China's cross-border transactions are settled in dollars via the SWIFT system, which some say leaves it vulnerable.

RENEWED PUSH

After a five-year lull, China is reviving its push to globalise the renminbi.

The PBoC's Shanghai head office last month urged financial institutions to expand renminbi trade and prioritise local currency use in direct investment.

Central bank chief Yi Gang said in remarks published on August 9 that renminbi internationalisation is proceeding well, with cross-border settlements growing 36.7% in the first half of 2020 from a year earlier.

Still, internationalisation is hampered by China's own stringent capital controls. It could also face resistance from countries that have criticised it on matters ranging from the coronavirus to its clampdown on Hong Kong.

One way to accelerate cross-border settlement would be to price some exports in renminbi, such as a possible coronavirus vaccine, suggested Tommy Xie, head of Greater China research at OCBC Bank in Singapore.

Another is to use a proposed digital renminbi in cross-border transactions on the back of currency swaps between central banks, bypassing systems such as SWIFT, said Ding Jianping, finance professor at Shanghai University of Finance and Economics.

Shuang Ding of Standard Chartered said Beijing has no choice but to prepare for Washington's "nuclear option" of kicking China out of the dollar system.

"Beijing cannot afford to be thrown into disarray when sanctions indeed befall China," he said.

SAMUEL SHEN, WINNI ZHOU, KEVIN YAO

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Schroders

■ **SCHRODERS** has appointed *Nicole Kidd* to the newly created role of head of private debt for Australia, starting on September 1. The Australian private debt team reports to Simon Doyle, head of fixed-income and multi-asset. Kidd will also report to Georg Wunderlin,

global head of private assets. Kidd was previously at RBC Capital Markets for 13 years, most recently as managing director and head of corporate banking for Australia and institutional client management for Asia Pacific. She was based in Sydney.



■ **AUSTRALIA AND NEW ZEALAND BANKING GROUP** has appointed *Tammy Medard* as managing director for institutional banking in Australia. Medard is due to start her new role on October 1 and will be based in Melbourne. She is a replacement for *Graham Turley*, who is retiring.

Medard joined ANZ 12 years ago in risk before being appointed Laos CEO. She currently serves as head of diversified industries for institutional banking. Turley joined ANZ 15 years ago having previously worked at Westpac New Zealand and Deutsche Bank.

China introduces class action mechanism

China wants its army of mom-and-pop investors to take corporate fraudsters to task with landmark class action lawsuits, but heavy government involvement means they are not likely to be as common as in other legal systems, lawyers and investors said.

The legal framework, which follows a series of scandals and official vows to crack down on corporate malfeasance, is the latest move to deepen and improve capital markets in China, where 80% of trading is conducted by retail investors.

Under the new class-action mechanism, introduced on July 31, a Chinese government-affiliated body, the China Securities Investor Service Centre, will sue on behalf of all individual investors in a company.

The CSISC said it would initially select “typical, major cases with wicked social impact and exemplary significance”. Investors and lawyers say that could result in other cases falling by the wayside.

“I think it’s going to be complicated ... because if a company is very strongly backed, for example, by the local government, do you dare bring a class-action suit against it?” said Marcia Ellis, Hong Kong-based partner at Morrison & Forester.

Although corporate fraud is not uncommon in China, retail investors have historically had little chance to make their voices heard. Small investors often likened legal action to ants fighting elephants.

Gao Jianlu, a retail investor in southwest China, said the new class-action framework made it cheaper and easier to sue listed companies.

“Bosses of listed companies will lose their shirts and never rise again,” Gao wrote in his blog on the trading community site Xueqiu.com.

Accounting fraud at firms including **KANGMEI PHARMACEUTICAL** and **KANGDE XIN COMPOSITE MATERIAL GROUP** risk damaging investors’ trust in China’s financial markets, Yi Huiman, China’s top securities regulator, said in May.

Individual investors have sued these companies, and others, under the existing investor-protection rules, but individual cases typically fail to catch courts’ attention, while compensation is often negligible, even for major fraud.

China’s stock market plays an increasingly important role in financing cash-starved companies in a slowing economy and amid rising tensions with the US.

Investors fear that China’s shift towards a disclosure-based initial public offering of shares system, in which companies must meet fewer thresholds to list, could result in more fraudulent companies.

But even with the new framework, class-action lawsuits “won’t be used as extensively in China as they are in the US,” activist investor Xu Caiyuan said.

Under the new litigation process, either the courts or a regulator must find that a company has broken the rules, or the company must admit wrongdoing, before a class-action lawsuit can be launched.

In addition, class-action suits launched by individuals, not the CSISC, can only include investors who opt in, reducing the number of plaintiffs and the size of the claim.

Yang Seng, a lawyer who has collected claims on 150 cases of corporate fraud during the past two years, said this would sideline lawyers who had been the most active under the previous system.

“I don’t think we’ll see a large wave of class-action lawsuits,” he said.

SAMUEL SHEN, ALUN JOHN

IN BRIEF

Jarden

Talks with Nomura on Australia tie-up

Kiwi upstart boutique **JARDEN** is in talks with **NOMURA** to partner up in Australia having recently dissolved its long-standing strategic alliance with Credit Suisse.

The negotiations are still at an early stage and no details have been agreed so far, according to a source. The talks were first reported by the Australian Financial Review.

Nomura’s on-the-ground investing banking presence in Australia is limited, comprising mostly sector bankers, although the Japanese broker brings with it a sizeable balance sheet. Meanwhile, Jarden has recently hoovered up a lot of top investment banking talent in Australia since it announced plans to expand there in May. Hires include Robbie Vanderzeil and Aidan Allen, two UBS veterans, and Sarah Rennie, formerly head of ECM in Australia at Goldman Sachs. Jarden, which was bought out by the firm’s management from Credit Suisse in 2002, announced on August 14 that it was ending its 30-year alliance with the Swiss investment bank. The boutique recently landed its first Australian client, advising Home Consortium on its A\$140m (US\$100.6m) institutional share placement last

month alongside Goldman.

Credit Suisse had advised on the property owner’s A\$300m IPO alongside Goldman and JP Morgan the year before.

Nomura declined to comment. Jarden could not immediately be reached for comment.

iQiyi

SEC opens investigation

BAIDU’s streaming service subsidiary **IQIYI**

revealed it was being probed by the US Securities and Exchange Commission.

iQiyi said in a statement it was cooperating with the SEC, which is seeking financial and operating records dating from January 1 2018, as well as documents related to acquisitions and investments identified in a report issued by short-seller firm Wolfpack Research in April. It said it could not predict the timing, outcome or consequences of the probe and had hired professional advisers to conduct an internal review.

Wolfpack accused iQiyi of inflating user numbers, revenues and expenses such as the price it pays for content.

The SEC investigation comes at a time when Washington has threatened to delist Chinese

companies that do not meet US accounting standards amid escalating tensions between the world’s two largest economies.

Baidu chief financial officer Herman Yu said on a conference call on August 14 following its second quarter results that the company was unable to comment directly on iQiyi’s probe but added the matter might take longer than normal to resolve due to the Covid-19 pandemic. “Having an independent set of eyes reviewing the situation is meant to put allegations to rest,” Yu said. Baidu owns 56% of iQiyi and commands more than 90% of voting power on its board. Shares in iQiyi plunged 11.2% on August 14, while Baidu dropped 6.3%. Both companies are listed on Nasdaq.

Hong Kong Exchanges and Clearing Record half-year results

HONG KONG EXCHANGES AND CLEARING reported record half-year revenues and earnings in the first six months of 2020 as recent volatility boosted trading volumes.

The Hong Kong bourse said on Wednesday that revenues for the six months to June 30 edged up 2% to HK\$8.78bn (US\$1.13bn), while profit came in at HK\$5.23bn, up 1% year on year.

The record performance was primarily due to an increase of 20% in headline average daily turnover



to HK\$117.5bn, resulting in higher trading and clearing fees. This was partially offset by a HK\$681m drop in investment income, primarily due to the fair value losses of collective investment schemes that were announced at the end of the first quarter. Stock Connect and Bond Connect both reported record ADT in the first half of the year. Stock Connect northbound and southbound ADT reached six month highs of Rmb74.3bn (US\$10.74bn) and HK\$20.7bn, respectively, while Bond Connect ADT came in at Rmb19.9bn, more than triple last year's total. However, the exchange saw a slight decline in listing fees, which fell by HK\$12m to HK\$463m as the number of new listings fell to 64 from 84 last year. The decline was partially offset by higher fees from a number of blockbuster secondary listings this year, including NetEase and JD.com, both of which also trade in New York. "The growing trend of US-listed Chinese companies seeking secondary listings on the exchange has brought, and will continue to bring, diversity and vibrancy to Hong Kong's capital markets," HKEx chairman Laura Cha said in a statement.

Singapore Exchange Derivatives pact with FTSE Russell

SINGAPORE EXCHANGE has teamed up with FTSE RUSSELL to market new derivatives products after MSCI opted a few months prior to ditch its agreement with the Singaporean exchange in favour of a new one with the Hong Kong bourse. The Singaporean bourse said on Thursday that it would introduce multiple products tied to FTSE Russell's indices for fixed income, listed real estate, global equities and currencies. The announcement comes only a few months after SGX said its licensing agreement with MSCI would come to an end with the US index provider signing a new agreement with Hong Kong Exchanges and Clearing instead.

Under the 10-year partnership signed in May, MSCI agreed to license to HKEx unit Hong Kong Futures Exchange a suite of MSCI equity indexes on which the bourse said it would base an initial 37 futures and options contracts. SGX recorded its largest intraday fall in its share price when the announcement was made. SGX, which makes around half of its revenues from derivatives, said at the time the loss of the licensing agreement with MSCI would reduce its profits for financial year 2021 by 10%-15%. FTSE Russell is a unit of the London Stock Exchange Group, which has agreed to acquire Refinitiv, IFR's parent company.

Hin Leong Trading Founder charged with abetment of forgery

Lim Oon Kuin, founder of troubled Singaporean oil firm HIN LEONG TRADING, was charged in a Singapore court on August 14 with abetment of forgery for the purpose of cheating, police said. Hin Leong, one of Asia's largest oil traders, was placed under judicial management in April after banks demanded repayment of loans as oil prices crashed amid the coronavirus pandemic. In the charges, Lim, known as OK Lim, was accused of instigating a Hin Leong employee to forge a document supposedly issued by UT Singapore Services stating that Hin Leong had transferred more than one million barrels of gasoil to China Aviation Oil (Singapore) Corp, the Singapore Police Force said in a statement on its website. The document was then allegedly used to secure more than US\$56m in trade financing from a financial institution, it added. It did not say when the alleged offence took place. If convicted, Lim faces a jail term of up to 10 years and a fine. The police added that investigations are continuing into other offences allegedly committed by Lim. Lim could not immediately be reached by Reuters for comment. The Lim family's legal advisers,

Davinder Singh Chambers, did not immediately respond to emailed requests for comment. Lim admitted in a court document filed earlier this year to directing the firm not to disclose hundreds of millions of dollars in losses over several years. UT Singapore Services, which is owned by oil storage provider Universal Terminal, did not immediately respond to an emailed request for comment. The Attorney General Chambers did not immediately respond to emailed requests for comment. CAO declined to comment.

OCP Asia US\$500m Asia fund planned

Private credit manager OCP ASIA is seeking US\$500m for its fourth direct lending fund, according to investor documents from the Montana Board of Investments. The Hong Kong-based firm is raising capital for OCP Asia Fund IV, which will provide senior secured loans to family-owned businesses and small to medium-sized businesses in Asia Pacific, the documents say. The fund is targeting investments between US\$10m and US\$50m spread across 25 to 35 loans. The loan portfolio is also limited to 40% in a single sector, and no more than 50% of the loans will be in a single country. The fund will last seven years, with a five-year investment period and a two-year harvest period when the firm intends to recoup on its investment. The expected leverage is 1.15 times. OCP Asia plans to commit 3% to the fund, or US\$15m, if the pool of capital hits its target. The management fee is 1% on committed capital and 2% on drawn capital and there is 20% in carried interest over an 8% hurdle rate. The Montana pension fund committed US\$50m to the fund. Spokespeople for OCP Asia and the Montana pension fund did not respond to requests for comment.

AUSTRALIA

DEBT CAPITAL MARKETS

› LOGOS PLANS A CALL

Australia-based **LOGOS HOLDCO** will hold calls with fixed income investors in Singapore on Monday to introduce its credentials via lead manager **DBS Bank**.

The company recently established a multi-currency debt issuance programme for S\$1bn (US\$732.8m) which is guaranteed by Logos Property Group. The debt programme includes a change of control event which, if triggered, would require redemption of any bond that is issued off the programme.

DBS is also sole arranger and dealer for the unrated programme.

Logos Property Group develops and manages vertically integrated logistics properties across Asia-Pacific, including Australia. In March this year, Singapore-listed AR Asset Management Holdings' subsidiary AR Logistics Venture acquired a major stake in the Australian company. Other shareholders include Ivanhoe Cambridge China as well as founders John Marsh, Trent Illiffe and Stephen Hawkins.

› WAYPOINT REIT PRICES USPP

Australia's **WAYPOINT REIT** has priced its inaugural US private placement.

It sold US\$178m of notes across seven, 10 and 12-year tranches with a weighted average life of 9.2 years. Moody's has assigned the notes a Baa1 rating.

The notes have been currency hedged and swapped back into Australian dollars at a weighted average floating margin of 281bp over the 90-day BBSY.

Proceeds will be used to pay down term loans and revolving credit facilities.

Settlement is expected on October 29.

Waypoint REIT owns service stations and convenience stores across Australia. It was formerly called Viva Energy REIT, but changed its name in May after Viva Energy Australia Group divested its 35.5% stake.

› IAG AND QBE PRINT LOCAL T2 NOTES

Australia's two largest global insurers accessed the domestic subordinated bond market last week to raise a combined A\$950m (US\$688m).

On Monday, **INSURANCE AUSTRALIA GROUP**, rated A (S&P), priced a A\$450m 16.25-year non-call 6.25-year Tier 2 MTN which priced well below 270bp area guidance at three-month BBSW plus 245bp.

ANZ, HSBC and JP Morgan were joint lead managers for the note, which has an expected rating of BBB (S&P).

Australasian investors took 80% of the note with Asia allotted 17.2%, the Americas 1.1%, Europe 0.6% and others 1.1%.

Fund managers picked up 75%, hedge funds and private banks 8.6%, banks 6.3%, brokers and dealers 4.9%, corporates 3.7%, insurance companies and pension funds 0.4% and others 1.1%.

Sydney-based IAG was formed by the demutualisation of the NRMA Insurance business in July 2000.

The following day **QBE INSURANCE GROUP** (A3/A-/A-) sold a A\$500m 16-year non-call six-year Tier 2 FRN 25bp tighter than 300bp area guidance at three-month BBSW plus 275bp.

ANZ and Citigroup were joint arrangers and joint lead managers with Barclays, CBA, HSBC and NAB for the note which has expected ratings of Baa1/BBB (Moody's/S&P).

Though both notes are rated BBB by S&P, IAG was able to price inside QBE partly due to its narrower and easily understood business model, which focuses on motor, house and commercial insurance in Australia and New Zealand, according to a Sydney DCM manager.

› COLES DELIVERS IN SUPER MARKET

COLES GROUP, rated Baa1/BBB+ (Moody's/S&P), made its second visit to the local bond market last Thursday with a very well supported two-part MTN sale which saw both tranches print comfortably inside its curve.

A huge combined order book of A\$2.8bn, which only shrank by A\$150m–\$200m at final pricing, meant a far larger deal was available.

But by limiting the overall transaction size to A\$450m joint lead managers ANZ, Goldman Sachs and SMBC Nikko were able to deliver extremely tight pricing outcomes.

A A\$150m five-year floating-rate note received around A\$800m of bids as it priced inside 110bp area guidance at three-month BBSW plus 97bp for a negative new issue concession of 5bp.

Australian and New Zealand investors

took 74%, Asia 22% and EMEA 4%. Real money accounts picked up 78%, banks 10%, middle market and private banks 10% and others 2%.

The A\$2bn of demand for the A\$300m 2.1% 10-year fixed-rate note allowed it to price 18bp tighter than 155bp area guidance at asset swaps plus 137bp for a negative new issue concession of 6bp.

Australian and New Zealand investors bought 79%, Asia 19% and EMEA 3%, rounded to the nearest percentage point. Real money was allocated 83%, banks 10%, middle market and private banks 5% and others 2%.

Australia's second-largest retailer debuted in the local market last October with a A\$600m dual-tranche, comprising A\$300m of 2.2% seven-year and A\$300m of 2.65% 10-year notes.

These provided the obvious comparables alongside Woolworths' A\$400m 1.85% 2025s and A\$600m 2.8% 2030 MTNs sold in May.

Like Woolworths, Australia's biggest retailer, Coles has performed well during the coronavirus thanks to its non-discretionary operations.

Coles Group has more than 2,500 outlets nationally and was spun off from Wesfarmers in November 2018 to form a separate listed company.

› NEVER MIND THE GAP

GTA Finance, the financing arm of **GOODMAN AUSTRALIA PARTNERSHIP**, rated BBB (S&P), secured a huge high-quality order book in excess of A\$2.5bn last Wednesday for a debut A\$400m seven-year MTN sale via joint lead managers ANZ and NAB.

The 2.2% August 26 2027s priced a full 20bp inside 195bp area guidance at asset swaps plus 175bp.

Australian and New Zealand investors bought 87% of the note and Asia 13%. Fund managers and insurance companies were allotted 85%, middle markets 5%, banks 4% and others 6%.

GAP, a very rare industrial REIT issuer in the Australian market, invests in logistics and business park assets at strategic locations within the eastern seaboard of Australia.

As a non-discretionary business whose earnings have remained strong during the coronavirus the leads identified Woolworths, Port of Melbourne and Port of Brisbane as the best available comparables.

AURIZON REVIVES MTN SALE

AURIZON NETWORK, rated Baa1/BBB+ (Moody's/S&P), has revived plans for a potential 10-year or longer Australian dollar MTN offering.

The operator of Australia's largest coal-export rail system has mandated *Mizuho*, *NAB* and *Westpac* to arrange investor update calls commencing on August 24 – six months after the same three leads first marketed the deal, just before the coronavirus pandemic erupted.

Aurizon previously accessed the Australian bond market in June 2017 with a A\$425m sale of seven-year MTNs.

COURT BLOW FOR VIRGIN BONDHOLDERS

VIRGIN AUSTRALIA bondholders have suffered a potentially terminal blow in their efforts to escape a severe haircut on their investments after a federal judge blocked their bid to table an alternative to Bain Capital's restructuring proposal.

Singapore-based Broad Peak Investment Advisers and Hong Kong's Tor Investment Management, which hold about A\$300m of Virgin's bonds, had asked the court to order Virgin's administrators to put their own rescue plan to a vote at the delayed second creditor meeting on September 4.

The two hedge funds, supported by other major bondholders, have floated the idea of a debt-to-equity swap which would have seen bondholders receive back up to 67 cents on the dollar. But last Monday Justice John Middleton blocked their scheme, clearing the way for administrators Deloitte to proceed with a take-it-or-leave-it vote on Bain's plan.

Bankers now expect Bain to impose a huge haircut on bondholders of around 90%, based on the most recent secondary bond prices. The details of the restructuring are due by August 25.

Australia's second-largest airline owed around A\$6.8bn to about 15,000 creditors when it collapsed into administration at the end of April.

This total included about A\$2bn of outstanding senior unsecured bonds, comprising US private placements, a US\$350m 7.875% October 2021 Yankee, A\$150m of 8.25% May 2023 and A\$250m of 8.075% March 2024 local wholesale bonds, and A\$325m of 8% November 2024 retail notes.

TCORP ADDS A\$200M TO 2050 BOND

NEW SOUTH WALES TREASURY CORP, rated Aaa/AAA (Moody's/S&P), tapped its 2.45% August 24 2050s for A\$200m last Monday to increase the size of the bond to A\$312m.

The reopening via sole lead manager *JP Morgan* priced at par, 58bp wide of the June 2051 ACGB and 149bp over EFP (10-

year futures).

TCorp raised A\$112m from initial sales of the 30-year benchmark on August 14 arranged by *NAB*. These also priced at par, 58.5bp wide of the June 2051 ACGB and 149.5bp over EFP.

SUNCORP MARKETS LOCAL TIER 2 NOTE

SUNCORP GROUP (A2/A/A) has mandated *Citigroup*, *NAB*, *UBS* and *Westpac* as joint lead managers to arrange an investor update call on August 24 for a potential Australian dollar 15.25-year non-call 5.25 wholesale Tier 2 floating-rate note offering.

The subordinated note is expected to be rated BBB/A- (S&P/Fitch).

AOFM TO OPEN 2031 BOND LINE

The **AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT** (Aaa/AAA/AAA) has mandated *Citigroup*, *CBA*, *UBS* and *Westpac* as joint lead managers for a syndicated sale of new November 21 2031 Treasury bonds, expected to be issued this week.

STRUCTURED FINANCE

REDZED READIES NON-CONFORMER

Non-bank lender **REDZED** has mandated *CBA* and *NAB* for an Australian dollar non-conforming RMBS offering under the RedZed Trust Series programme.

Investor calls will begin on August 24 ahead of issuance as early as the following week.

RedZed, which specialises in lending to self-employed people and those who self-certify their incomes, sold rare Australian commercial mortgage-backed securities in June with the no-grow A\$300m (US\$214m) RedZed Trust STC Series 2020-1.

Its previous RMBS issue was the A\$400m non-conforming RedZed Trust Series 2019-1 in July last year.

BLUESTONE PLANS QUICK RETURN

Non-bank lender **BLUESTONE** has mandated *CBA*, *Macquarie* and *NAB* to market a potential Australian dollar RMBS offering under the Sapphire programme.

Bluestone previously issued the A\$350m Sapphire 2020-1 RMBS on June 30 using the same three lead managers.

SYNDICATED LOANS

ALTECH EYES GREEN BOND AFTER MEZZ

Australia-based **ALTECH CHEMICALS** is seeking a green bond of at least US\$100m for its

high-purity alumina project in Malaysia as it continues to work on satisfying requirements for a previously announced mezzanine loan.

The proposed asset-backed green bond would have a maturity of at least five years, *Altech* said in a filing to the Australian Securities Exchange last Thursday.

Bluemount Capital (WA) will work with London-based *Bedford Row Capital* as structuring agent to prepare a bond structuring and execution plan during the next quarter, according to the filing.

Macquarie Bank is providing the US\$90m mezzanine loan, which was announced in March and has completed technical and market due diligence.

However, *Macquarie* has asked *Altech* to bag pre-sales of a proportion of its planned future HPA production to an end-user at fixed prices, to demonstrate some pricing transparency in an otherwise opaque market.

Altech continues to engage with a number of European electric vehicle sector participants that are potential end-users interested in securing future HPA supply.

Altech continues to pursue multiple additional subordinated debt funding options, in addition to a US\$190m senior project financing from KfW IPEX Bank.

The use of bonds to secure a secondary level of project financing could be an alternative to bank mezz debt, the company said.

The bond only requires interest payments to be made during its life, whereas the mezz debt involves repayment of principal plus interest until maturity, *Altech* said.

Altech is aiming to become one of the world's leading suppliers of HPA through the construction and operation of a processing plant at Johor in Malaysia. Feedstock for the plant will be sourced from the company's kaolin deposit at Meckering, Western Australia and shipped to Malaysia.

TABCORP TAPS EQUITY TO REPAY LOANS

Lottery operator **TABCORP HOLDINGS** is raising A\$600m (US\$433m) in equity to repay bank loans.

The move will strengthen its balance sheet and give it additional headroom for covenant and credit rating purposes, according to a filing to the Australian Securities Exchange last Wednesday.

Tabcorp will have approximately A\$1.496bn of undrawn loans following the equity raising.

Pro-forma gross debt to Ebitda as at June 30 will fall to 3.2x from 3.8x.

Tabcorp intends to further reduce its gearing towards a revised target range of

Coronado raises equity to repay loan

■ Loans Borrower also seeks waivers on financial covenants

Metallurgical coal producer Coronado Global Resources is raising A\$250m (US\$180m) of equity to repay drawn balances on a US\$680m syndicated loan, and is seeking to extend waivers on some financial covenants, according to a filing to the Australian Securities Exchange last Tuesday.

The covenant waiver extension, which would be for a further six months until September 2021, is conditional upon a minimum equity raise of US\$120m with funds to be received by August 31, or as otherwise agreed with the lending syndicate.

Coronado must also reduce the loan limit by US\$25m in February, May and August 2021, according to the filing.

The lenders of the facility have also pre-approved the sale and leaseback of heavy mining equipment and the sale of Curragh housing assets for a period of six months, with 40% of the net proceeds to

be channelled towards the three-step limit reduction.

In May, Coronado received consent from its lenders to temporarily waive financial covenants on the US\$680m loan maturing February 2023.

The initial waiver on US\$550m revolving credit facilities and a US\$130m multi-currency revolving bank guarantee is applicable for a nine-month period from May 25 to February 28 2021.

The covenants include a net debt-to-Ebitda gearing ratio and an interest cover ratio, the company said at the time.

After the latest waiver extension, covenant testing would take place on September 30 2021 and a compliance certificate will be issued by October 31 2021.

The agreement follows steps it took in March and April to preserve capital and improve liquidity. These included temporarily

idling US operations, reducing capital expenditure by 40% in 2020, deferring the expansion plans for the Curragh mine in Queensland state and continuing to focus on maintaining a low-cost operating structure to withstand a period of sustained lower prices.

In September 2019, **CORONADO FINANCE**, the financing vehicle for Coronado Global Resources, amended, extended and increased its existing syndicated loan, according to Refinitiv LPC data.

The borrowing, maturing in February 2023, comprises US\$350m, US\$200m and A\$370m tranches after the A&E exercise.

Westpac Banking Corp was the mandated lead arranger and bookrunner, while *ANZ*, *Bank of China Hong Kong* and *Sydney*, *Citigroup*, *DBS Bank*, *HSBC*, *National Australia Bank* and *Sumitomo Mitsui Banking Corp* joined as MLAs.

MARIKO ISHIKAWA

2.5x–3.0x over time. The previous target was 3.0x–3.5x.

In May, Tabcorp announced it had won consent from lenders on a A\$2.2bn syndicated loan to waive the leverage and interest cover covenants for the June 30 and December 31 testing dates.

In late March, the company signed a A\$226m short-term loan maturing in July 2021 with existing lenders.

Tabcorp has A\$171.5m of US private placement notes due in December. In March 2018, the company priced a US\$1.4bn USPP comprising four US dollar-denominated tranches totalling US\$1.25bn and two Australian dollar-denominated portions totalling A\$195m.

Proceeds from the USPP repaid a A\$1.8bn bridge financing in connection with Tabcorp's acquisition of Tatts Group and other bank debt.

► SCAPE GAINS CONSENT FOR WAIVER

Scape Australia Management has won consent from the majority of its lenders to temporarily waive a covenant on its A\$1.45bn loan signed earlier this year to cope with the impact of the coronavirus pandemic.

The interest cover ratio covenant, which is tested on a quarterly basis, will be waived until March 2021.

The loan, which backed Scape's acquisition of a portfolio of student housing

run by Urbanest, was split into A\$123.4m and A\$360.4m two-year portions, and A\$246.8m and A\$720.7m three-year pieces.

The borrowing offers interest margins of 155bp and 165bp over BBSY for the two and three-year tranches, respectively.

SCAPE URBANEST FINANCE is the borrower.

Commonwealth Bank of Australia, *Morgan Stanley* and *United Overseas Bank* were the mandated lead arrangers, bookrunners and underwriters of the four-tranche facility, which attracted 17 other lenders in syndication.

The acquisition target is Australia's largest student accommodation portfolio of 6,805 beds across 14 operating assets in Sydney, Melbourne, Brisbane and Adelaide.

► DISTRICT DOCKLANDS WINS WAIVERS

DISTRICT DOCKLANDS PTY has won covenant waivers for a A\$260m five-year loan it signed last year relating to refinancing and capital expenditure of a shopping centre in Melbourne.

The borrower had requested waivers for all the coming Ebitda-related covenant tests for the loan in 2020 and delays in obtaining a valuation report for The District Docklands due to the fallout from the coronavirus pandemic.

The waivers required consent from two-thirds or more (by value) of the deal's lenders.

DBS Bank was the mandated lead arranger and bookrunner of the transaction, which

had drawn two other lenders in syndication when the deal closed last year.

It offers an interest margin of 200bp over BBSY and represented a loan-to-value ratio of around 50% at the time.

Australian real estate investment firm Ashe Morgan and Singapore-based private equity fund SC Capital Partners own The District Docklands, which is located on the fringes of the central business district of Melbourne.

► TPG-VODAFONE LOAN SOLD AT PAR

The A\$5.25bn loan supporting the merger of **VODAFONE HUTCHISON AUSTRALIA** and **TPG TELECOM** signed earlier this year has traded in secondary markets with at least two portions sold at par.

More lenders are looking to snap up pieces of the jumbo deal, which had attracted 13 lenders in May when primary syndication for the deal closed.

The banks joining had been allocated between A\$244m and A\$787.5m each.

The borrowing comprises a A\$2.57bn three-year term loan tranche A, a A\$1.72bn five-year term loan tranche B and a A\$960m five-year revolving credit facility tranche C.

Pricing on the three tranches was sweetened by 65bp each in April.

Facility A pays 190bp over BBSY from 125bp earlier, while facilities B and C offer 210bp compared with 145bp previously. The margins are based on a net debt-to-Ebitda ratio of between 2.50x and 3.00x.

CHINA

DEBT CAPITAL MARKETS

BANK OF JINZHOU RESUMES PAYMENTS

BANK OF JINZHOU, the first Asian bank to skip a coupon payment on Additional Tier 1 securities, plans to resume the distribution of dividends on its US\$1.5bn 5.5% offshore preference shares following a bailout from Chinese authorities.

In a stock exchange filing, the Liaoning-based city commercial bank proposed to distribute the dividends on its offshore AT1s on October 27, after the plan was approved at a board meeting on August 20. The dividend period was from October 27 2019 to October 26 2020.

The dividends amount to US\$91.42m, of which US\$82.28m will be paid to the AT1 holders and the remainder will be withheld income tax.

Bank of Jinzhou halted offshore AT1 dividend payments for the October 27 2018 to October 26 2019 period after its capital adequacy ratios fell below regulatory requirements.

The Hong Kong-listed Chinese lender has launched a recapitalisation plan led by China's central bank, including capital injections through private share placements, the sale of assets and the issuance of debt instruments.

The bank reported a net profit of Rmb406.6m (US\$58.9m) for the first half ended June 30 2020, compared with a loss of Rmb998.6m in the same period last year.

As at end-June 2020, the bank's capital adequacy ratio, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio were 9.06%, 6.94% and 5.50%, an improvement on the end-December 2019 ratios of 8.09%, 6.47% and 5.15%, respectively.

CHINA HUIYUAN JUICE DEFAULTS

CHINA HUIYUAN JUICE GROUP said it defaulted on its US\$200m 6.5% bonds that matured on August 16 because its cashflow has been adversely affected by the Covid-19 pandemic.

The struggling Hong Kong-listed Chinese juice maker had missed the interest payment on March 17 following a 30-day grace period.

In a stock exchange filing, Huiyuan said it cannot advise on the exact date of the repayment of the outstanding principal amount and the interest payment given the uncertainty caused by the pandemic.

It said it is still exploring various financing channels to fund its payment obligations and is "contemplating certain restructuring matters", which may involve the notes, in order to improve its liquidity position.

The company's shares have been suspended from trading since April 3 2018 after it violated several Hong Kong listing rules over the disclosure of loans to a company majority-owned by its chairman.

GOLDEN WHEEL TIANDI REPURCHASES

GOLDEN WHEEL TIANDI HOLDINGS repurchased US\$20m of its 7% January 18 2021 senior notes in July and August using internal resources, according to a stock exchange filing.

The repurchased notes were cancelled on August 20, reducing the outstanding amount to US\$156.07m.

The Hong Kong-listed Chinese real estate company on June 17 cancelled US\$17.5m of bonds it repurchased between March and April, following the cancellation of US\$43.085m of repurchased bonds on March 23.

On January 17, it cancelled US\$43.353m of the notes it had bought back through a tender offer.

HUANGSHAN TOURISM GROUP EYES EURO

HUANGSHAN TOURISM GROUP has hired banks for a proposed five-year euro-denominated Reg S senior unsecured credit enhanced notes offering and will hold investor calls on Monday.

The proposed notes will be supported by an irrevocable standby letter of credit issued by Bank of China Anhui branch.

Bank of China, ABC International and CNCB Capital are joint global coordinators as well as joint lead managers and joint bookrunners with *Bank of Communications, BOSCO International, China Construction Bank (Asia), China Everbright Bank Hong Kong branch, China Minsheng Banking Corp Hong Kong branch, China PA Securities (Hong Kong), Guotai Junan International, Guosen Securities (HK), Guoyuan Capital, Haitong Bank, ICBC (Asia) and Shanghai Pudong Development Bank Hong Kong branch.*

ICBC LEASING PRINTS

ICBC FINANCIAL LEASING, rated A1/A/A, has raised US\$900m from a Reg S bond offering to fund asset acquisitions, refinancing and other general corporate purposes.

The 1.75% five-year senior unsecured notes were priced at 99.976 to yield 1.755%, or Treasuries plus 147.5bp, the tight end of final guidance of 150bp (+/-2.5bp) and well inside initial 200bp area guidance.

The deal drew final orders of over US\$3bn from 84 accounts, including US\$1.245bn from the leads. Investors from Asia took 82% of the bonds and Europe 18%. Fund managers received 50%, banks 47%, and private banks, corporates and others 3%.

The notes, with expected ratings of A2/A (Moody's/S&P), will be issued under an MTN programme established by ICBCIL Finance. They will have a keepwell and liquidity support deed and a deed of asset purchase undertaking provided by ICBC Financial Leasing.

ICBC, ANZ, Bank of China, Bank of Communications, BNP Paribas, CCB International, Goldman Sachs, HSBC, JP Morgan and Mizuho Securities were joint global coordinators and bookrunners.

JIANGBEI INV PRINTS SHORT-DATED NOTE

NANJING JIANGBEI NEW AREA INDUSTRIAL INVESTMENT GROUP, rated BBB (stable) by Fitch, has priced US\$200m 364-day senior unsecured notes at par to yield 3.7%, inside initial guidance of 4.15% area.

Final statistics were not available at the time of writing but orders were said to be over US\$970m when final guidance was announced, including US\$342m from the leads.

The notes will be issued by Industrial Investment Overseas and guaranteed by New & High (HK) with a keepwell and liquidity support deed and a deed of equity interest purchase undertaking provided by Nanjing Jiangbei New Area.

The Reg S issue has an expected BBB rating by Fitch.

Proceeds will be used for refinancing offshore debt and general corporate purposes.

China International Capital Corp, Huatai International and Bank of China were joint global coordinators as well as joint bookrunners and joint lead managers with *China Minsheng Banking Corp Hong Kong branch, CLSA, China Citic Bank International and Orient Securities (Hong Kong).*

Jiangbei Investment provides urban development and industrial facility leasing in the Jiangbei New Area of Nanjing, according to Fitch. It is the largest subsidiary by total assets under Nanjing Yangzi State-owned Assets Investment Group (rated A- by Fitch).

In May, it issued US\$300m 364-day senior unsecured notes at par to yield 3.8% with the same structure.

NAN FUNG PRICES TIGHTLY

NAN FUNG INTERNATIONAL HOLDINGS, rated Baa3/BBB-/BBB-, last Thursday priced a US\$500m

China Jianyin prints dual-trancher

■ **Bonds** Robust demand for a high quality credit allows the deal to price inside fair value

CHINA JIANYIN INVESTMENT, rated A2/A/A+, last Thursday priced a US\$900m dual-tranche senior guaranteed Reg S bond offering that was 7.6 times covered and traded tighter in the aftermarket on robust demand for a high quality credit.

A US\$400m 1.5% five-year tranche was priced at 99.923 to yield 1.516% and a US\$500m 2.125% 10-year tranche was priced at 98.922 to yield 2.246%. The final pricing translates to respective spreads of 125bp and 160bp over Treasuries, inside initial guidance of 180bp area and 210bp area.

The deal was postponed by a day because of Typhoon Higos, which did not affect investor enthusiasm.

"Market liquidity is still ample but investors are selective. With quality names like Jianyin, which is also a regular issuer in the market, investors are willing to buy," said a banker on the deal.

Books peaked at over US\$8.5bn when final guidance was announced, and the final book still stood at over US\$6.8bn despite a 50bp–55bp tightening from IPC, allowing the deal to price inside fair value.

PRICES INSIDE

The five-year tranche was priced about 7bp–8bp inside fair value and the 10-year about 5bp inside, according to the banker.

State Development & Investment Corp, rated A2/A/A+, is the closest comparable for Jianyin. Both have the same ratings,

are ultimately 100%-owned by the central government, and are state-owned investment arms used to promote national development policies.

Jianyin is the sole and wholly owned industrial business investment arm of Central Huijin Investment, which is directly managed by sovereign wealth fund China Investment Corp. SDIC is owned by the central SASAC with core investments in power generation, ports and rail, financial services and advanced manufacturing.

SDIC's 3.25% 2024s and 3.75% 2029s were bid at a spread of 127bp and 152bp wide of Treasuries ahead of the release of IPC.

Nomura's trading desk said Jianyin's new bonds should trade a touch wider than SDIC's given Jianyin has slightly weaker standalone fundamentals and the bonds have a longer duration by 1.3 years compared to SDIC's 2024s and 2029s. It put fair value at Treasuries plus 140bp for the five-year and 160bp for the 10-year.

Final orders for Jianyin's five-year bonds were over US\$3.2bn from 99 accounts, including US\$2.1bn from the leads. Asian investors took 96% of the bonds and Europe 4%. Banks and financial institutions were allocated 69%, fund managers 30% and private banks 1%.

The 10-year piece attracted final orders of over US\$3.6bn from 143 accounts, including US\$1.465bn from the leads. Investors from Asia took 93% of the bonds

and Europe 7%. Fund managers received 45%, banks and financial institutions 35%, insurers and the public sector 19% and private banks 1%.

Both tranches were trading about 2bp–3bp tighter last Friday morning.

The bonds will be issued by wholly owned subsidiary JIC Zhixin and guaranteed by the state-owned parent company.

The expected ratings are A2/A+ (Moody's/Fitch).

Proceeds will be used for debt refinancing and general corporate purposes.

Bank of China, Bank of America, Cinda International, HSBC, ICBC (Asia) and Mizuho Securities were joint global coordinators. They were also joint lead managers and joint bookrunners with *Agricultural Bank of China Hong Kong branch, Bank of Communications, Barclays, China Citic Bank International, China Construction Bank (Asia), China Everbright Bank Hong Kong branch, China International Capital Corp, China Minsheng Banking Corp Hong Kong branch, CLSA, CMB Wing Lung Bank, Goldman Sachs, ICBC Singapore, Natixis, Shanghai Pudong Development Bank Hong Kong branch and UBS.*

Jianyin made its international bond debut in November 2017 with a US\$1.49bn-equivalent dual-currency bond comprising US dollar and euro-denominated notes. It then issued a US\$500m bond in September 2018 and a US\$500m bond in July 2019.

CAROL CHAN

3.625% 10-year senior unsecured bond at 99.394 to yield 3.698% or Treasuries plus 305bp, inside initial guidance of 345bp area.

Pricing came 5bp inside Nomura's credit sales and trading desk's fair value estimate.

Final books were US\$2bn from 124 accounts, having touched US\$3bn during bookbuilding. Asia took 98% and Europe 2%. Fund managers booked 47%, private banks 27%, insurers 15%, banks 6% and corporates 5%.

Wholly owned subsidiary Nan Fung Treasury is the issuer of the Reg S senior unsecured notes and the Hong Kong-based private developer is the guarantor.

The notes will be drawn under a US\$3bn MTN programme and have expected ratings of Baa3/BBB– (Moody's/S&P).

HSBC, Goldman Sachs, JP Morgan and UBS were joint global coordinators, joint bookrunners and joint lead managers.

Proceeds will be used for working capital,

refinancing and debt repayment.

Nan Fung is a wholly owned subsidiary of Chen's Group International, founded by Hong Kong industrial tycoon Chen Din Hwa.

▶ SHAANXI XIXIAN LGFV REOPENS DEAL

SHAANXI XIXIAN NEW AREA AIRPORT NEW CITY

DEVELOPMENT & CONSTRUCTION GROUP has reopened its 6.5% unrated Reg S senior bonds due May 25 2023 for a tap of US\$92m, bringing the total outstanding to US\$142m.

The additional bonds were sold at par, unchanged from price guidance.

Proceeds will be used for project construction, debt replacement and general corporate purposes.

Shenwan Hongyuan HK was sole global coordinator as well as joint bookrunner and joint lead manager with *Huatai International* and *Wilson Securities*.

The original bonds were priced at par on May 18.

The issuer is owned by the Airport New City Management Committee and Xixian New Area Development Group, both of which are ultimately owned by the Shaanxi provincial government.

The state-owned company focuses on development and construction in Airport New City, which is part of the Xixian New Area, a special economic development zone in Shaanxi province.

▶ SHANDONG COMMERCIAL HIRES

SHANDONG COMMERCIAL GROUP has mandated banks to arrange an investor conference call on August 24, ahead of a proposed US dollar bond offering.

Zhongtai International, Orient Securities (Hong Kong), Huatai International, CLSA and Guosen Securities (HK) are joint global coordinators.

They are also joint bookrunners and lead managers with *SDG Securities (HK)*, *Bank of East Asia*, *ABC International*, *CMBC Capital*, *SinoPac Securities (Asia)* and *SPDB International*.

A US dollar Reg S senior unsecured bond offering may follow, subject to market conditions.

Wholly owned subsidiary Fuyuan Worldwide would issue the proposed bonds with a guarantee from Shandong Commercial Group.

Shandong Commercial Group has retail, pharmaceutical and property development businesses. Its retail arm operates department stores, convenience stores, shopping centres and electrical appliance shops.

Shandong Provincial State-owned Assets Supervision and Administration Commission holds around a 70% stake in the company.

SHANDONG GUOHUI PLANS FIVE-YEAR

SHANDONG GUOHUI INVESTMENT, rated Baa2/BBB+ (Moody's/Fitch), has hired banks for a proposed offering of benchmark-sized five-year US dollar Reg S bonds.

Zhongtai International, *Huatai International*, *Bank of China*, *Industrial Bank Hong Kong branch*, *China Minsheng Banking Corp Hong Kong branch*, *CMB International*, *Central Wealth Securities Investment* and *Orient Securities (Hong Kong)* are joint global coordinators. They are also joint lead managers and joint bookrunners with *ABC International*, *China Everbright Bank Hong Kong branch*, *China International Capital Corp*, *China Industrial Securities International*, *CLSA*, *CMB Wing Lung Bank*, *Shanghai Pudong Development Bank Hong Kong branch* and *Shenwan Hongyuan HK*.

The proposed bonds will be issued by wholly owned subsidiary Guohui International (BVI) and guaranteed by the state-owned parent company. The bonds have an expected BBB+ rating by Fitch.

The deal may launch as early as Monday, subject to market conditions.

Established in 2016, Shandong Guohui has a strategic role in the reform and restructuring of SOEs in Shandong province. It owns equity in SOEs involved in transportation, engineering, and financial and operating leasing.

Shandong Guohui issued two US dollar bonds last year. It priced a US\$800m 4.37% three-year bond at par last July and a US\$300m 4.37% three-year bond at par in August.

YANGZHOU LGFV PRINTS

Local government financing vehicle **YANGZHOU URBAN CONSTRUCTION STATE-OWNED ASSETS HOLDING (GROUP)** has priced a US\$300m

three-year Reg S bond at par to yield 3.02%, inside initial guidance of 3.7% area.

The deal drew final orders of over US\$2.7bn from 109 accounts, including US\$993m from the leads. Asia received 99% of the notes and Europe 1%. Banks and financial institutions were allocated 59%, asset managers, fund managers and lifers 33%, and hedge funds, private banks and others 8%.

The issuer is rated BBB- (negative) by S&P and BBB (stable) by Fitch. The proposed senior notes have an expected BBB rating by Fitch.

Proceeds will be used to refinance offshore debt.

China Minsheng Banking Corp Hong Kong branch, *Haitong International* and *Industrial Bank Hong Kong branch* were joint global coordinators as well as joint bookrunners and joint lead managers with *China Industrial Securities International*, *China International Capital Corp*, *Cinda International*, *CLSA*, *CMB Wing Lung Bank*, *Huatai International*, *ICBC (Macau)* and *Shanghai Pudong Development Bank Hong Kong branch*.

The issuer, based in the city of Yangzhou in China's eastern Jiangsu province, is primarily responsible for urban infrastructure construction, primary land development, and welfare housing construction. It also has businesses in piped gas, water supply, sewage, urban public transportation and port operations.

It issued US\$300m of 4.375% three-year notes in 2017 which mature in December this year.

YIBIN SOE PRINTS DOLLAR

YIBIN STATE-OWNED ASSETS MANAGEMENT has priced US\$140m three-year senior unsecured guaranteed bonds at par to yield 3.9%, inside initial guidance of 4.3% area.

The Reg S unrated notes will be issued by 68.08%-owned subsidiary Yibin Grace Group and the parent company will provide a guarantee.

Proceeds will be used to expand production capacity and for business development, including replenishing liquidity and repaying debt.

Central Wealth Securities Investment was sole global coordinator as well as bookrunner and lead manager with *China Minsheng Banking Corp Hong Kong branch*, *Industrial Bank Hong Kong branch*, *DBS Bank*, *Po Tai Securities (Hong Kong)*, *CMB Wing Lung Bank*, *Guoyuan Capital* and *Zhongtai International*.

The issuer is a viscose fibre producer based in Yibin in China's Sichuan province.

The guarantor is wholly owned by Yibin SASAC and is the main asset management and investment entity for the Yibin municipal government.

YUEXIU TRANSPORT PRINTS PANDA

YUEXIU TRANSPORT INFRASTRUCTURE has issued Rmb500m three-year Panda bonds at 3.54% in China's interbank market, according to a public filing.

The deal received Rmb1.68bn of subscriptions.

The bonds were issued under a Rmb1.5bn quota the Chinese toll-road operator registered with financial regulators.

Proceeds will be used for debt repayment and working capital.

The Hong Kong-listed, Bermuda-incorporated issuer and the bonds are both rated AAA by China Chengxin.

China Merchants Bank was lead underwriter and bookrunner. *ICBC* was joint lead underwriter.

SYNDICATED LOANS

CHEMCHINA SEEKS BACK-UP LOAN

State-owned **CHINA NATIONAL CHEMICAL CORP** has asked banks to put in place a US\$2bn loan as a back-up for a larger US dollar bond, while another loan remains in syndication.

Given the current market volatility, ChemChina is asking banks to ready a separate US\$2bn bridge loan, which would be drawn only if the bond issue does not go according to plan.

The company has sent a request for proposals for a bond offering of up to US\$3.2bn with proceeds intended for refinancing.

ChemChina, a frequent borrower in the loan market, has a separate €860m (US\$975m) refinancing currently in syndication.

The deal was launched in June with one, three and five-year tranches, but was later revised to a purely one-year borrowing.

The interest margin was also flexed down to 45bp over Euribor from 85bp originally.

Banco Santander, China Construction Bank (Asia) and Natixis are the mandated lead arrangers and bookrunners of the transaction.

ChemChina is the guarantor, while wholly owned CNCE Group (Hong Kong) is the borrower.

ZIJIN MINING BACK FOR US\$800M LOAN

Fujian-based **ZIJIN MINING GROUP** is seeking a US\$800m five-year loan, returning for its second loan of the year.

Credit Agricole CIB is the mandated lead arranger and bookrunner of the transaction, which has been launched into senior syndication.

China Construction Bank Fujian branch joined

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the deal before the launch of syndication.

The loan offers an interest margin of 150bp over Libor and has an average life of 3.6 years.

Banks committing US\$100m or above will earn an all-in pricing of 165bp, based on an upfront fee of 54bp.

Proceeds are for refinancing and general corporate purposes.

In March, Zijin Mining raised a US\$568m six-year loan for its C\$1.33bn (US\$996m) acquisition of Toronto-listed gold mining company Continental Gold.

China Citic Bank International was the mandated lead arranger and bookrunner of the deal, while three others participated.

As at December 31 2019, Zijin was 23.97%-owned and controlled by Minxi Xinghang State-owned Asset Investment, a local state-owned enterprise in Shanghang County.

Zijin Mining is principally engaged in the prospecting, exploration and mining of gold, copper and other mineral resources.

› PING AN UNIT LIFTS LOAN TO US\$565M

AN KE TECHNOLOGY, the financial and healthcare technology investment arm of Ping An Insurance (Group), has increased its debut three-year loan to US\$565m after exercising an accordion option.

Bank of Shanghai (Hong Kong) and *China Everbright Bank Hong Kong* joined as senior managers, while *Bank of Communications*, *China Development Bank Hong Kong*, *Industrial & Commercial Bank of China Macau* and *Shanghai Pudong Development Bank* came in as lead arrangers. *China Guangfa Bank* and *Nanyang Commercial Bank* joined as arrangers.

China Construction Bank (Asia) was the sole mandated lead arranger and bookrunner of the transaction, while *Mizuho Bank* came in as MLA.

The deal was launched at a US\$300m size, offering a top-level all-in pricing of 155bp via an interest margin of 140bp over Libor.

Proceeds will be for refinancing and general corporate purposes.

Ping An Insurance is the sole shareholder in An Ke Technology, which was incorporated in 2014 in Hong Kong as an offshore holding company for its parent company's investments in financial and health technology.

Currently, An Ke Technology holds stakes in unicorns including Hong Kong-listed healthcare platform Ping An Good Doctor, New York-listed fintech firm OneConnect, electronic health records management system HealthConnect and online wealth management platform Lufax Holding.

In February, Lufax raised US\$1.19bn through a three-year bullet loan that paid a top-level all-in pricing of 148bp based on a margin of 125bp over Libor.

› PING AN REAL ESTATE UNIT TAPS BULLET

A unit of property investment platform Ping An Real Estate is in the market with a US\$300m three-year bullet term loan.

Deutsche Bank and *Standard Chartered Bank* are the mandated lead arrangers and bookrunners of the transaction, which offers an interest margin of 250bp over Libor. The deal can be increased to up to US\$400m via a greenshoe option.

FUPENG INVESTMENT MANAGEMENT, a Hong Kong-incorporated investment vehicle of Ping An Real Estate, is the borrower.

Ping An Real Estate and its wholly owned Ping An Real Estate Capital are providing keepwell deeds and the liquidity support undertaking.

Proceeds will be used for refinancing and to fund an interest reserve account.

In April 2019, Ping An Real Estate Capital obtained a US\$300m three-year loan from 14 lenders, including *Deutsche Bank* Singapore branch as the sole MLAB.

That facility offered a top-level all-in pricing of 245bp over Libor based on an interest margin of 200bp and an upfront fee of 135bp.

Ping An Real Estate Capital's ultimate parent Ping An Insurance (Group) Co of China and intermediate holding company Ping An Real Estate were keepwell deed providers. The latter also provided a liquidity support deed.

As at December 31 2019, Hong Kong-listed Ping An Insurance (Group) held a 99.59% stake in Ping An Real Estate, which recorded assets under management of approximately Rmb440bn.

› FORMOSA PLASTICS UNIT SELLS LOAN

FORMOSA CHEMICALS INDUSTRIES (NINGBO) has launched a Rmb2bn (US\$289m) five-year term loan, returning to the market in less than a year.

Mega International Commercial Bank is the mandated lead arranger and bookrunner of the loan, which offers an interest margin of the five-year loan prime rate minus 135bp. The five-year LPR is currently at 4.65%.

Banks are invited to join as MLAs with commitments of Rmb500m or more for an upfront fee of 15bp, or as co-arrangers with Rmb200m–Rmb499m for a fee of 10bp.

Responses are due by September 25.

Proceeds will back the construction of a plant in Ningbo, in Zhejiang province in eastern China.

The borrower, a unit of Formosa

Chemicals & Fiber Corp, raised two other facilities last year.

In October 2019, it completed a Rmb1.1bn five-year term loan. CTBC Bank and First Commercial Bank were the mandated lead arrangers and bookrunners on that deal, which offers an interest margin of 99.19% of the PBoC rate, according to Refinitiv LPC data.

A few months earlier, the borrower raised a US\$421m-equivalent five-year facility in June, which comprises a Rmb1.89bn tranche A and a US\$140m tranche B. Tranche A pays a margin of 90% of the PBoC rate, while tranche B offers 80bp over Libor. Bank of Taiwan and CTBC led the borrowing.

Formosa Chemicals Industries (Ningbo) is an indirect unit of Taiwanese conglomerate Formosa Plastics Group.

It produces plastics products used in auto parts, electrical and electronics items, and consumer goods.

› SHANGHAI WORLD EXPO OBTAINS LOAN

State-owned Shanghai World Expo Land Holding has signed a Rmb4bn five-year real estate loan from six banks.

Bank of China was the mandated lead arranger and bookrunner of the loan, which offers an interest margin of over 42.5bp above the one-year loan prime rate that is currently at 3.85%.

SHANGHAI HUAYUAN REAL ESTATE, a unit of Shanghai World Expo Land Holding, is the borrower. The parent and Poly Real Estate Group are the guarantors.

Fund are for capital expenditure purposes.

Shanghai World Expo Land is a commercial building construction company. Shanghai World Expo Land Reserve Center owns a 58.72% stake in Shanghai World Expo Land, while Shanghai Land (Group) holds the remainder.

For full allocations, see www.ifre.com.

RESTRUCTURING

› CMIG UNIT SEEKS EXTENSION

BOOM UP INVESTMENTS, a subsidiary of **CHINA MINSHENG INVESTMENT GROUP**, has announced a new proposal to amend terms of its US\$420m 3.8% bonds, which were supposed to be redeemed on August 2 2020.

The bonds were issued by Boom Up with a keepwell deed and liquidity support deed from CMIG. They were originally due to mature in August 2019, but the issuer won bondholder consent to extend the maturity date by a year.

On July 24 this year, the issuer launched

a consent solicitation under which it proposed to extend the maturity of the bonds by a year to August 2 2021, and repay US\$50m of the principal on December 31 2020 and US\$50m on June 30 2021, plus accrued interest. In return, it asked for a waiver of the default.

That offer failed to win bondholder approval at a meeting on August 19, so it has made a new proposal. It is still proposing to extend the maturity of the bonds by one year, but is now willing to pay US\$100m on December 31 2020, US\$50m on March 31 2021 and US\$150m on June 30 2021.

Boom Up said the increased offer was intended to persuade more bondholders to participate and would be funded by cash from expected asset sales.

The offer expires on September 8.

Admiralty Harbour is solicitation agent and *Kirkland & Ellis* is legal adviser. *Lynchpin Bondholder Management* is tabulation agent.

Private investment company CMIG triggered a cross-default on its offshore bonds in April 2019 after a late repayment on onshore debt. China Construction Bank was then forced to repay a US\$300m bond that matured in June under the terms of a standby letter of credit after Boom Up failed to make the payment.

EQUITY CAPITAL MARKETS

XPENG READIES US IPO

Chinese electric vehicle manufacturer **XPENG** planned to file terms for an NYSE IPO of about US\$1bn last Friday, according to people close to the deal.

The company is planning to open books for the float this weekend, said the people. Pricing is tentatively scheduled for August 26 and the listing for August 27.

Credit Suisse, *JP Morgan* and *Bank of America* are joint bookrunners.

XPeng declined to comment.

The deal comes after fellow Chinese EV maker Li Auto raised US\$1.09bn from a Nasdaq IPO last month. As of Tuesday, Li Auto shares were up 39% from the IPO price at US\$15.96, giving it a market capitalisation of US\$13.3bn.

XPeng raised US\$400m in November 2019 from a group of investors including Xiaomi Corp which valued it at nearly US\$4bn.

XPeng on August 6 wrapped up a US\$900m pre-IPO financing from investors including Hillhouse Capital, Sequoia Capital, Qatar Investment Authority, Alibaba Group, Abu Dhabi state fund Mubadala Investment, Aspex and Coatue.

For the first half of 2020, XPeng posted a

loss of Rmb796m (US\$114m) compared to a loss of Rmb1.9bn in the first half of 2019. It lost Rmb4.6bn for the whole of 2019.

Founded in 2014, the Guangzhou-based company delivered its first Xpeng G3 vehicle to customers in December 2018 and launched a second model in April this year.

CINDA SECURITIES READIES A-SHARE IPO

CINDA SECURITIES, a spin-off from China Cinda Asset Management, has hired *China Securities* as IPO tutor ahead of a possible A-share listing.

It did not disclose the listing venue or the size of the fundraising.

Hong Kong-listed China Cinda AMC announced plans to spin off the subsidiary on August 6.

The brokerage's earnings have been declining for the past five years. It posted a 2019 net profit of Rmb210m on revenues of Rmb1.63bn, down sharply respectively from Rmb2.07bn and Rmb4.8bn in 2015.

Chinese brokerages have been rushing to list in the A-share market.

BOC International Securities, Zhongtai Securities, and Guolian Securities completed Shanghai IPOs this year, while the China Securities Regulatory Commission is reviewing listing applications from Caida Securities and Wanlian Securities.

Hong Kong-listed CICC, which is at the tutorial stage for its Shanghai IPO, last month more than trebled the number of shares it plans to offer.

CMS COMPLETES H-SHARE RIGHTS

CHINA MERCHANTS SECURITIES has raised HK\$2.4bn (US\$310m) from an H-share rights issue, after raising Rmb12.7bn from the A-share leg last month.

The Shanghai and Hong Kong-listed Chinese brokerage sold 294m H-shares at HK\$8.18 each on a 3-for-10 basis. The offer was 3.2 times oversubscribed.

China Merchants Securities and *Citic Securities* are the joint global coordinators and joint underwriters with *CMB International*.

China Merchants Securities last month sold 1.7bn A-shares at Rmb7.46 each on a 3-for-10 basis.

Citic Securities was the sponsor.

CMS will use the proceeds to fund capital increases at its subsidiaries, to diversify and invest in intermediary and investment businesses, and to replenish working capital.

FUTU BUILDS WAR CHEST

FUTU HOLDINGS, an online brokerage firm backed by Tencent Holdings, has raised US\$314m from a primary follow-on.

The company sold 9.5m American

depository shares at US\$33 per share, representing a 6.7% discount to the company's close of US\$35.40 last Tuesday.

There is a 15% overallotment option.

Proceeds will be used for its margin financing business and general corporate purposes.

Goldman Sachs, *Credit Suisse*, *UBS* and *Haitong International* are bookrunners.

Futu shares rose 4.4% last Tuesday and have risen 243% this year.

HARBOUR BIOMED PLANS IPO

HBM HOLDINGS, also known as Harbour Biomed, is planning to raise about US\$200m–\$300m from a Hong Kong IPO this year, according to people close to the deal.

The company filed a listing application last Tuesday without mentioning a fundraising size or timetable. *Bank of America*, *CLSA* and *Morgan Stanley* are the joint sponsors.

Harbour Biomed is a clinical-stage biopharmaceutical company developing antibody therapeutics for immunology and oncology diseases. It has 11 projects in the pipeline.

It lost US\$48.4m for the first half of 2020, compared to a US\$37.5m loss over the same period of 2019.

Legend Capital owns a 10.4% stake in the company while GIC owns 8.04%.

IRICO SHARES DROP ON PLACEMENT

Shares in Hong Kong-listed **IRICO GROUP NEW ENERGY** fell 7.3% last Tuesday after it disclosed a HK\$2bn share placement.

The Shaanxi-based producer of liquid crystal display TVs announced the sale of 1.8bn new shares, or 44.64% of the enlarged share capital, to up to 10 third party investors at an issue price of HK\$1.12. The price represents a 2.75% premium to the pre-deal close of HK\$1.09 on August 17.

Proceeds will be used to fund photovoltaic glass projects and for working capital.

China Securities International and *Guotai Junan International* are the placing agents.

Irigo Group's shares, which closed at HK\$1.01 last Tuesday and fell further to HK\$0.98 last Thursday, are still up 34% in the year so far.

JD HEALTH BRINGS IN HILLHOUSE

JD HEALTH has attracted an investment of over US\$830m from Hillhouse Capital ahead of a Hong Kong IPO.

The online healthcare unit of JD.com entered into an agreement with Hillhouse on the investment on August 17 and the deal is expected to be closed in the current

quarter, according to JD.com's interim financial results.

JD.com will remain the majority shareholder of JD Health after the transaction.

The Hillhouse investment would help JD Health further strengthen its pharmacy supply chain capabilities and explore additional healthcare services opportunities in the broader healthcare sector, said JD.com.

IFR reported last month that JD.com was considering a Hong Kong IPO for JD Health in a deal that could raise at least US\$1bn and is expected to come at the end of the year or early in 2021.

Bank of America, Haitong International and UBS are leading the transaction.

JD Health was spun off from JD.com in May last year and provides pharmaceutical and healthcare products and internet healthcare services to customers.

It raised US\$931m last November through the sale of a 13.5% stake in a private financing that valued the company at about US\$6.9bn.

» JW THERAPEUTICS FILES FOR HK IPO

JW (CAYMAN) THERAPEUTICS has filed to the Hong Kong bourse for an IPO.

IFR reported in May it was targeting about US\$200m–\$300m from a listing this year.

The cell-therapy company was founded in 2016 by Juno Therapeutics and WuXi AppTec in Shanghai. It has seven candidates in the pipeline, mainly cell-based immunotherapies to treat cancer, leveraging Juno's cell therapy technologies and WuXi AppTec's contract manufacturing services.

It posted a Rmb650m loss for the six months ended June 30, 81% up from a loss of Rmb358m in the same period last year. It had an annual loss of Rmb633m in 2019.

JW Therapeutics raised US\$90m from a private round in March 2018 led by Temasek Holdings, Sequoia Capital China and YuanMing Capital.

Seattle-based Juno was acquired by Celgene in a US\$9bn deal in January 2018. Bristol-Myers Squibb then bought Celgene for about US\$74bn last year to combine two of the world's largest cancer drug businesses.

Goldman Sachs and UBS are the joint sponsors.

» NEW-LOOK CHINEXT STOCKS DEBUT

The first 18 companies to list under the ChiNext board's revamped trading rules will begin trading on August 24, free from the traditional caps on first-day price movements.

The Shenzhen Stock Exchange, which

operates the Nasdaq-style ChiNext, named 18 companies in the first batch, comprising 16 that have already completed bookbuilding and two due to wrap up their IPOs today. The 18 are set to raise a combined Rmb20.1bn, beating their original target of Rmb15.7bn.

The reforms to the ChiNext board mirror many features of the Shanghai Star market. For instance, there will be no price limits for the first five trading days, after which point stocks can rise or fall up to 20% a day. Until now, ChiNext has imposed a 44% cap on first-day gains and a 10% daily swing thereafter. Of the 18 companies, event promoter FENGSHANGSHIJI set the highest price per share of Rmb138.02 for its Rmb2.49bn IPO, and CONTEC MEDICAL SYSTEMS the lowest at Rmb10.16.

Contec Medical's valuation of 59.74 times 2019 earnings is the highest among the 18. The lowest P/E multiple is 19.08, set by NINGBO KBE ELECTRICAL TECHNOLOGY, a manufacturer of automotive wires and cables.

The SZSE began accepting applications under the new streamlined, US-style registration system on June 30. As of August 16, 364 companies have filed for ChiNext IPOs, with a combined Rmb229bn target.

The China Securities Regulatory Commission has approved registrations from five other ChiNext candidates which have yet to conduct bookbuilding.

» NONGFU SPRING PRE-MARKETS IPO

NONGFU SPRING started pre-marketing last Monday for a Hong Kong IPO of about US\$1bn.

The company, one of China's biggest bottled water and beverage companies, plans to offer up to 1.38bn shares.

Books are scheduled to open on August 24.

CICC and Morgan Stanley are joint sponsors.

Nongfu Spring posted a net profit of Rmb1.9bn for the first five months of 2020, down 18% over the same period in 2019.

» SMIC FULLY EXERCISES IPO GREENSHOE

Chinese chipmaker SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION has fully exercised the overallotment option in its A-share Star IPO, lifting the deal size to Rmb53.2bn.

It sold an additional 253m shares at the issue price of Rmb27.46 to raise Rmb6.9bn. The base deal consisted of 1.7bn shares.

Of the shares on offer, about 43.5% were allotted to strategic investors.

Proceeds will be used to set up a technology production line and replenish

working capital. The remainder will be reserved for R&D purposes.

Haitong Securities is the lead joint underwriter in charge of the exercise of the overallotment option.

HONG KONG

DEBT CAPITAL MARKETS

» CATHAY PACIFIC SETS UP MTN

CATHAY PACIFIC AIRWAYS has set up a US\$2bn MTN programme via HSBC.

Cathay Pacific MTN Financing HK is the issuer and the Hong Kong-listed parent company is the guarantor.

The carrier in January issued a S\$175m (US\$130m) 3.375% three-year bond, after abandoning a plan to issue a US dollar bond in September last year because of a mismatch in pricing expectations between the company and investors.

Cathay, which has suffered huge losses because of the Covid-19 pandemic, earlier completed a HK\$39bn (US\$5bn) recapitalisation plan that was led by a bailout from the Hong Kong government.

» EMPEROR ANNOUNCES EXCHANGE OFFER

Hong Kong real estate company EMPEROR INTERNATIONAL HOLDINGS has announced an exchange offer for its outstanding US\$200m 4.00% senior notes due September 2021 and a concurrent new money issue.

The exchange will be on a par-to-par basis for a new three-year bond with a minimum yield of 4.00%. The final yield for the new bond is expected to be announced on or around August 27.

The deadline for the exchange offer will be August 26 and settlement is expected on or around September 3.

Emperor Securities, AMTD, Bank of East Asia and Guotai Junan International are dealer managers on the exchange offer and Morrow Sodali is information and exchange agent.

For the concurrent new money issue, Emperor Securities, AMTD, Bank of East Asia and Guotai Junan International are joint global coordinators as well as joint bookrunners and joint lead managers with Bank of Communications, BNP Paribas, HSBC and BOC International.

» HONGKONG ELECTRIC PRINTS AGAIN

HONGKONG ELECTRIC CO has raised US\$500m from a 10-year Reg S bond offering.

The 1.875% senior unsecured notes priced

at 99.268 to yield 1.956% or Treasuries plus 130bp, inside initial price guidance of plus 160bp area.

The utilities company previously visited the international bond market in June to print a US\$500m 2.25% 10-year note that was seen at a bid yield of around 2% on the day the new bonds were priced, according to Tradeweb.

Hongkong Electric Finance is the issuer and Hongkong Electric Co is the guarantor.

The bonds have an expected rating of A- by S&P, in line with the guarantor, and will be drawn under the issuer's guaranteed MTN programme.

The final order size and deal statistics were not available at the time of writing.

Proceeds will be used for general corporate purposes.

BNP Paribas, Citigroup, HSBC, Mizuho Securities, Morgan Stanley, SMBC Nikko and UBS were joint global coordinators, joint bookrunners and joint lead managers.

Hongkong Electric, owned by HK Electric Investments, is the city's main electricity generator.

SHUI ON LAND PRINTS

Property developer **SHUI ON LAND** has priced US\$500m of four-year non-call two senior unsecured notes at par to yield 6.15%, inside initial guidance of 6.5% area.

Nomura's trading desk saw fair value around 5.8%, after referencing Shui On's own curve as well as peers like Yanlord Land Group and Road King Infrastructure.

The deal drew final orders of over US\$1.5bn from 94 accounts. Asia took 90% and EMEA 10%. Asset managers, fund managers and hedge funds received 55%, private banks 42%, and banks and corporates 3%.

Shui On Development (Holding) is the issuer of the unrated Reg S issue and the Hong Kong-listed parent company is the guarantor.

Proceeds will be used to repay debt with near-term maturities and for general corporate purposes.

Standard Chartered Bank and UBS were joint global coordinators and bookrunners.

SYNDICATED LOANS

GENTING HK SUSPENDS PAYMENTS

Cruise operator **GENTING HONG KONG** announced that it will temporarily suspend all payments to its financial creditors in order to preserve liquidity

amid growing pressure on its business due to the coronavirus pandemic.

The suspension applies to interest and charter payments as well and follows the failure of two of Genting Hong Kong's subsidiaries – **DREAM GLOBAL ONE** and **DREAM GLOBAL TWO** – to pay €3.7m (US\$4.4m) in bank fees last Monday.

The missed payment constitutes an event of default and Genting Hong Kong has asked financial creditors to form a steering committee to evaluate the group's restructuring proposal, according to the company's stock exchange filing last Wednesday.

Genting Hong Kong said it will use its remaining available cash to maintain critical services for the group's operations.

In August last year, Dream Global One and Dream Global Two obtained €1.37bn and €1.27bn in 12-year loans respectively. BNP Paribas, Citibank, Credit Agricole, Credit Suisse, DNB Bank and KfW IPEX-Bank were the MLABs on both deals, according to Refinitiv LPC data.

As of July 31 2020, Genting Hong Kong's outstanding financial indebtedness was US\$3.37bn, it said.

Shares of Genting Hong Kong plunged as much as 39% last Thursday morning.

On August 7, Genting Hong Kong said in a stock exchange filing that it expected to record an unaudited consolidated net loss of not less than US\$600m for the six months ended June 30 because of the suspension of most its operations within the latest reporting period as a result of the Covid-19 pandemic.

In addition to cruises, Genting Hong Kong is also involved in gaming, entertainment and hospitality activities.

A family trust of Lim Kok Thay, chairman and chief executive of Malaysia's Genting, is the majority shareholder of Genting Hong Kong.

CHINA TAIPING EYES OFFICE REFI

CHINA TAIPING INSURANCE GROUP is in talks with banks for a loan of approximately HK\$9bn (US\$1.16bn) to refinance a 2018 borrowing that had backed its acquisition of an office building in Hong Kong.

The latest financing is expected to have a tenor of one to three years.

In February 2018, a consortium comprising China Taiping's wholly owned subsidiary, Taiping Trustees, and Fans Group, a unit of Shenzhen-based financial institution China Create Capital, obtained a HK\$6.6bn three-year loan for the acquisition of 18 King Wah Road, a 22-storey grade A office building in the North Point district of Hong Kong from

Henderson Land Development.

HSBC was the mandated lead arranger and bookrunner of the 2018 loan, while China Citic Bank International, Nanyang Commercial Bank, Cathay United Bank, Bank of East Asia, E. Sun Commercial Bank and Shanghai Commercial Bank joined as participants, according to Refinitiv LPC data.

FAR EAST HORIZON CLOSES LOAN

Hong Kong-listed financial services company **FAR EAST HORIZON** has increased its three-year loan to US\$1.294bn-equivalent from the launch size of US\$1bn, after attracting seven banks in general syndication.

The loan now comprises a HK\$3.392bn tranche and a US\$856m portion.

Bank of East Asia, China Citic Bank International, CMB Wing Lung Bank, Hang Seng Bank, Mizuho Bank, MUFG and Nanyang Commercial Bank were the mandated lead arrangers and bookrunners of the transaction, which offered a top-level all-in pricing of 165bp based on an interest margin of 140bp.

The borrower had initially been aiming to raise US\$1.4bn when it first approached relationship banks for the loan in June.

Proceeds will be used for refinancing.

Sinochem Group owns about 23% of the Hong Kong-listed borrower.

For full allocations, see www.ifre.com.

SINOPHARM LEASING DRAWS HK\$1.17BN

SINOPHARM FINANCIAL LEASING, a unit of state-owned China National Pharmaceutical Group, has drawn its HK\$1.17bn three-year loan, four months after signing took place in April.

The late drawdown is due to delays in obtaining the registration from China's State Administration of Foreign Exchange amid earlier Covid-19 lockdowns.

ICBC International was the sole original mandated lead arranger, bookrunner and coordinator of the facility, which attracted six other lenders in syndication. Chong Hing Bank, Bank SinoPac and China Minsheng Banking Corp joined as MLABs.

The deal offers an interest margin of 220bp over Hibor.

Proceeds will be used for working capital purposes.

Founded in 2013, Sinopharm Financial Leasing provides one-stop services for the healthcare and medical sector. China Life Investment Holding is also a major shareholder of the company.

For full allocations, see www.ifre.com.

INDIA

DEBT CAPITAL MARKETS

BAJAJ FIN, PNB HOUSING SELL BONDS

BAJAJ FINANCE and **PNB HOUSING FINANCE** have raised Rs24.65bn (US\$329m) from short-term bonds.

Bajaj Finance raised Rs13.50bn from a three-tranche bond offering: Rs9.25bn from bonds maturing on August 11 2023 at 5.70%, Rs3.5bn from an August 10 2023 portion at 5.20% and Rs750bn from an October 2023 zero-coupon piece at a 5.70% yield.

Crisil has assigned a AAA rating to the bonds.

PNB Housing Finance has raised Rs11.15bn from 18-month bonds at 7.75%.

India Ratings has assigned a AA rating to the notes.

FUTURE ENTERPRISES DEFAULTS ON BONDS

FUTURE ENTERPRISES, owned by Indian billionaire Kishore Biyani, failed to make an interest payment on rupee bonds due August 16.

The retailer said in a release on the BSE that its efforts to mobilise funds to make the payment led to the delay in reporting the default.

The total outstanding amount on the bonds is Rs2.65bn. The bonds had a coupon of 9.60% or Rs126.5m, payable on a half yearly basis from February 16 and August 16 each year.

Care Ratings has cut the rating on the rupee notes to default, citing a weakening of the retailer's business and financial risk profile caused by India's extended lockdown to contain the Covid-19 pandemic.

Investors are now waiting to see if Future Retail, also owned by Biyani, can make the coupon payment on its debut dollar bonds within the grace period that expires on August 22.

The first coupon payment of US\$13.4m on the US\$500m 5.6% 2025 bonds was due on July 22 but the company proposed to make the coupon payment within 30 days from the interest due date, citing the terms of the bond offering. It did not elaborate on where the funds would come from.

Future Retail operates more than 1,500 stores in India and owns several supermarket brands, including budget department and grocery chain Big Bazaar.

Shares of Future Retail have rallied 14% in the past week following news reports that oil-to-telecoms conglomerate Reliance

Industries is close to acquiring Future Group's retail unit.

PFC PRINTS THREE-YEAR BONDS

India's **POWER FINANCE CORP** has raised Rs30bn from three-year bonds at 5.47%, according to a BSE filing.

The state-owned issuer was targeting Rs5bn plus a greenshoe of Rs25bn.

It was also eyeing Rs5bn plus a greenshoe of Rs15bn from a 15-year piece which was scrapped.

Crisil, Icra and Care have assigned AAA ratings to the bonds.

On August 7, PFC raised Rs32.16bn from a two-tranche bond issue.

SHADOW BANKS GET FUNDING RELIEF

India's lower-rated non-bank financial companies continued to sell short-term bonds after the country extended its partial credit guarantee scheme by three months.

MUTHOOT FINCORP, **PIRAMAL CAPITAL & HOUSING FINANCE**, **MANAPPURAM FINANCE**, **FIVE-STAR BUSINESS FINANCE**, **JM FINANCIAL CREDIT SOLUTIONS**, **MAGMA HOUSING FINANCE**, **INDOSTAR CAPITAL**, **MAS FINANCIAL SERVICES**, **AROHA FINANCIAL SERVICES** and **FEDBANK FINANCIAL SERVICES** raised a total of Rs11.65bn from 18-month bonds in the range of 8.25% to 9.5% last week, according to BSE filings. The bonds are rated below AA.

Earlier last week, the government extended the guarantee scheme to November 19 and allowed banks to use up to half of their total investments under the scheme on lower-rated bonds of non-bank lenders, up from 25% previously. Under the scheme, the government absorbs the first 20% of losses on state-owned banks' purchases of bonds or commercial paper issued by non-bank lenders with a rating of AA and below, including unrated bonds.

The extension of the partial guarantee scheme will ensure liquidity lines remain open for lower rated NBFCs.

Since June, bond issues of up Rs1bn have seen a sharp jump. "Most of this support was provided to smaller and mid-sized NBFCs, many of which were facing difficulties in access funding post-Covid," said Jefferies in a note on August 20. "Although by value, their contribution was small at 4%–5% of total bond issuances, such liquidity support has gone a long way in abating market fears on liquidity risks in the sector."

State-owned banks have approved purchases of portfolios worth Rs213bn under the second guarantee scheme, according to the finance ministry. "All state-owned banks are equally participating in this scheme," said a DCM banker. "Given that only 20% first loss is absorbed by the

government and balance has to be absorbed by the bank, the credit risks for state-owned banks will increase."

The PCGS scheme finally took off last month, seven months after it was launched in December. This is because the first version offered a 10% first-loss guarantee when state-owned banks bought pooled assets with a rating of BBB+ or higher from financially sound NBFCs.

Separately, the government has also disbursed Rs74.64bn under the special liquidity scheme, in which a State Bank of India subsidiary is providing credit line to stressed NBFCs for three-months.

SIDBI SELLS BONDS AT LOWER COST

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA has fixed the yield at 4.9% on Rs5bn of three-year bonds, according to filing on NSE.

The state-owned issuer paid 137bp less than on the three-year notes it sold at 6.27% in February.

It was targeting Rs2.5bn plus a greenshoe of the same amount.

Icra has assigned a AAA rating to the bonds.

SYNDICATED LOANS

HPCL LURES ONLY ONE FOR US\$300M LOAN

HINDUSTAN PETROLEUM has closed a five-year financing at US\$300m with only one bank joining.

Sumitomo Mitsui Trust Bank came into the deal with a US\$10m commitment.

Mandated lead arrangers and bookrunners Bank of Baroda, State Bank of India and Sumitomo Mitsui Banking Corp ended up with US\$75m, US\$150m and US\$65m respectively.

The deal was not launched into general syndication and a US\$200m greenshoe will not be exercised.

The state-owned refiner had picked the three MLABs for the new-money financing in February.

The loan pays an interest margin of around 100bp over Libor.

Proceeds are for general corporate purposes.

HPCL closed a US\$300m three-year bullet loan in June 2018 as a four-bank club. DBS Bank, Mizuho Bank, MUFG and SBI ended up with equal commitments after pre-funding the deal. That loan pays an interest margin of 60bp–65bp over Libor.

OIL INDIA LOAN ATTRACTS ONLY ONE

State-owned **OIL INDIA** has closed a US\$225m five-year loan after a months-long syndication that attracted only one bank.

Mandated lead arrangers and bookrunners *State Bank of India* and *Sumitomo Mitsui Banking Corp* ended up with US\$117m and US\$93m respectively, or 93.33% of the deal combined.

Shanghai Commercial Bank had committed US\$15m to the financing in April.

The deal was launched in mid-February offering a top-level all-in of 105bp based on an interest margin of 92bp over Libor and an average life of 4.75 years.

The borrower's previous loan was an US\$800m one-year bridge financing in August 2016 to finance its purchase of a stake in two Russian oil and gas fields. DBS Bank, Mizuho Bank, MUFG and United Overseas Bank were the lenders of the deal.

› SBI SYDNEY TAPS A\$125M FINANCING

STATE BANK OF INDIA SYDNEY has launched a A\$125m (US\$90m) two-year loan into general syndication.

Sumitomo Mitsui Banking Corp is the sole mandated lead arranger and bookrunner of the transaction, which offers an interest margin of 90bp over BBSY and has an average life of 1.5 years.

Banks are being invited as arrangers for a top-level all-in pricing of 110bp via a participation fee of 30bp.

Commitments are due by September 4, with signing slated for September 11.

Funds are for general corporate and working capital purposes.

SBI Sydney's previous visit to the loan market was in December last year for a A\$140m five-year facility. MUFG was the MLAB on that financing, while National Bank of Kuwait joined as lead arranger, according to Refinitiv LPC data.

› ADB LENDS FOR INDIAN RAIL PROJECT

The *Asian Development Bank* has approved a US\$1bn loan to support construction of the modern, high-speed **DELHI-MEERUT REGIONAL RAPID TRANSIT SYSTEM**.

Financing for the project will be disbursed in four tranches between August 2020 and May 2025, the ADB said in a press release on Tuesday.

The 82km rail line, which is expected to cost US\$3.94bn to build, will connect the country's densely populated capital with Meerut in the neighbouring state of Uttar Pradesh.

The loan will finance the construction of railway tracks, station buildings, maintenance facilities, and traction and power supply.

The Indian government will provide US\$1.89bn and cofinanciers are expected to chip in another US\$1bn, the multilateral agency said.

Moreover, a US\$3m grant from ADB's Japan Fund for Poverty Reduction will support various activities, including provision of visual, hearing and mobility aids.

The Delhi-Meerut transit system is the first of three priority rail corridors in India's integrated transport network under the NCR Regional Plan 2021.

RESTRUCTURING

› JAIN HIRES ELARA TO ADVISE

JAIN IRRIGATION SYSTEMS has hired *Elara Capital* to advise on a potential restructuring of its US\$200m 7.125% green bonds due 2022, following its default on a coupon payment due in February.

Earlier this month, an ad hoc group of bondholders hired *Kirkland & Ellis* as legal counsel and *Deloitte* as financial adviser.

Wholly owned subsidiary Jain International Trading BV issued the bonds in 2017 with a guarantee from the Indian parent company, which manufactures irrigation systems.

In October last year, Fitch cut Jain to RD, for restricted default, from CCC- after it defaulted on bank loans and lenders began an out-of-court debt resolution process. It also lowered the rating of the bonds to C from CCC-.

The same month, S&P lowered Jain to SD, for selective default, from CCC, and cut it further to D for default in March this year.

The bonds were bid at a cash price of 25 on Wednesday, according to Refinitiv data.

EQUITY CAPITAL MARKETS

› PHOENIX MILLS DEAL IN DEMAND

PHOENIX MILLS' Rs11bn (US\$147m) qualified institutional placement of new shares was subscribed around five times and global sovereign funds bought nearly 50% of the deal, people with knowledge of the transaction said.

There was participation from 50 accounts.

The Indian company sold 18.2m shares, or 11.85% of the pre-issue capital, at Rs605 apiece.

The price represents a 6.4% discount to the pre-deal close of Rs646.20. Shares in the mall developer ended at Rs649.10 on Thursday and have fallen 21% this year.

There is a 60-day lock-up on the company and controlling shareholder Ruia International.

The funds from the QIP will be used to expand the mall business and repay debt.

CLSA, HSBC, Kotak and UBS are the bookrunners.

› HAPPIEST MINDS TARGETS SEPTEMBER IPO

IT services provider **HAPPIEST MINDS TECHNOLOGIES** plans to launch an IPO of around US\$100m in September subject to regulatory approval, people with knowledge of the transaction said.

The deal will comprise primary shares totalling Rs1.1bn and 35.7m secondary shares. Controlling shareholder Ashok Soota and JP Morgan Asset Management are the vendors of the secondary shares.

Institutional buyers will be allocated 75% of the offer, high-net-worth investors 15% and retail investors 10%.

ICICI Securities and Nomura are the lead managers.

Happiest Minds serves clients in the retail, consumer packaged goods, e-commerce, banking, insurance, transportation and hospitality sectors.

INDONESIA

DEBT CAPITAL MARKETS

› JASA MARGA TO SELL FOUR-PART BONDS

Indonesia's **JASA MARGA** is planning to raise up to Rp2trn (US\$134m) from a four-tranche public bond offering, according to the term-sheet.

The state-owned toll-road operator has announced indicative yield ranges of 7.25%–8.50% for a three-year, 7.50%–8.75% for a five-year, 8.00%–9.00% for a seven-year and 8.25%–9.25% for a 10-year tranche.

Bookbuilding began on August 18 and closes on August 28. The bonds will be offered to the public in September.

Pefindo has assigned a AA- rating to the notes.

The proceeds will be used to meet working capital requirements and to maintain and upgrade toll roads and supporting facilities.

Mandiri Sekuritas, *BNI Sekuritas*, *CIMB Niaga Sekuritas* and *Trimegah Sekuritas* are the lead arrangers for the offering.

Indonesia's expansionary monetary policy has not led to a rebound in private demand but has helped calm financial markets and reduce the government's funding costs, said ANZ in a recent note.

› PLN TO ISSUE FIVE TO 20-YEAR BONDS

PERUSAHAAN LISTRIK NEGARA plans to sell Rp2trn of bonds and sukuk in five tranches, according to the offer document.

The state-owned electric utility has

announced indicative yield ranges of 6.2%–7.35% for a five-year, 6.66%–7.8% for a seven-year, 7.34%–8.44% for a 10-year, 8.11%–9.21% for a 15-year and 8.4%–9.5% for a 20-year tranche.

It is targeting Rp1.5trn from bonds and Rp500bn from the sukuk. The yields are the same for both tranches, which are rated AAA by Pefindo.

Books opened on August 18 and will close on August 26.

The notes will be offered to investors in the first week of September.

The proceeds will be invested in power plants, transmission networks and electricity distribution networks.

Bahana Sekuritas, BCA Sekuritas, BNI Sekuritas, Danareksa Sekuritas, Indo Premier Sekuritas, Mandiri Sekuritas and Trimegah Sekuritas are said to be the underwriters.

PLN's lower capex plan of Rp54trn in 2020 compared to Rp100trn in 2019, compensation receipts and a Rp5trn equity infusion from the government will help contain its FFP (funds from operation) adjusted net leverage below 5.5x in 2020, Fitch said in a note dated August 6.

In June, PLN raised US\$1.5bn from a dual-tranche 144A/Reg S bond at its lowest yields, shrugging off weakening fundamentals because of the Covid-19 outbreak. Recently, IFR reported that PLN is expected to shortlist banks on a Rp12trn facility.

Bank Indonesia last Wednesday kept its policy rate unchanged at 4%, as expected, saying the current level was consistent with efforts to support the economy while maintaining stability amid the pandemic.

The central bank has injected US\$44.2bn of liquidity into the financial system so far this year. It has agreed on a US\$40bn fiscal deficit financial scheme under which it will buy US\$28bn of bonds while relinquishing interest payments.

SYNDICATED LOANS

PERTAMINA DRILLS US\$3BN BRIDGE LOAN

State-owned entity **PERTAMINA** is seeking a bridge loan of over US\$3bn to fund its purchase of energy assets from oil and gas producer Occidental Petroleum Corp.

Banks are being shortlisted for the one-year loan.

Occidental Petroleum is looking to sell energy assets in Africa and the Middle East, including Ghana and the United Arab Emirates, to Pertamina for US\$4.5bn in a bid to ease its debt load.

The Indonesian company has also expressed interest in buying some of Occidental's assets in Algeria and Oman.

In May, Pertamina was seeking a smaller Rp2trn (US\$134m) loan with a tenor of at least five years. The status of that request for proposals is unclear.

Pertamina's previous visit to the offshore loan market was in August last year for a US\$1.85bn syndicated loan for the Jambaran-Tiung Biru natural gas project, considered one of the largest project financings for the company.

Eleven lenders participated in the financing, which included Islamic PF facilities under trustee borrowing schemes.

The conventional and Islamic tranches each have 10 and 15-year tenors.

The JTB project involves the development of proven gas reserves as well as the construction and operation of gas production and processing facilities in East Java province.

JAPAN

DEBT CAPITAL MARKETS

DBJ PRINTS DUAL-TRANCHE

DEVELOPMENT BANK OF JAPAN, guaranteed by Japan and rated A1/A+ (Moody/S&P), last Wednesday priced a US\$1.7bn dual-tranche 144A/Reg S offering.

A US\$700m 0.5% five-year tranche priced at 99.547 to yield 0.592%, equivalent to mid-swaps plus 28bp, inside initial price thoughts of 30bp area.

A US\$1bn 1.0% 10-year tranche priced at 99.432 to yield 1.06%, or mid-swaps plus 42bp, inside IPTs of 46bp area.

Demand was more than US\$1.5bn and US\$3bn, respectively.

Barclays, Citigroup, Morgan Stanley and Nomura were active bookrunners.

UNIVERSITY OF TOKYO MAKES IT OFFICIAL

UNIVERSITY OF TOKYO officially announced last week it will offer Japan's first university bond in early October.

SoftBank dollar bonds hit record

■ Bonds CFO unveils plan to buy back foreign bonds

SOFTBANK GROUP's US dollar and euro bonds jumped after the company said it would buy back up to US\$4.7bn of its foreign bonds.

CFO Yoshimitsu Goto unveiled a plan for an international tender offer on August 11 in a briefing on the group's Q1 results, when asked by CEO Masayoshi Son to comment on its latest domestic bond tender.

SoftBank Group, rated BB+/A- by S&P/JCR, had announced in June that it would buy up to ¥200bn (US\$1.9bn) of its existing corporate bonds, but it had only bought ¥167.6bn by July 22.

"For our domestic bonds, we purchased [about] ¥160bn against the ¥200bn order, and for our foreign bonds we will order [banks] to make a tender offer for probably

¥400bn to ¥500bn [equivalent]," Goto said when asked by his boss, who was talking about SoftBank's efforts to reduce debt.

SoftBank's 6.125% April 2025 US dollar bonds were bid at a record 111.25 on August 18 for a 3.364% yield, up 2.86 points from a yield of over 4% on August 10, according to Refinitiv prices. The 4.5% April 2025 euro bond jumped 3.1 points in the same period, quoted at a 2.642% bid or 107.775 last Tuesday from 3.351% on August 10.

SoftBank announced plans to monetise up to ¥4.5trn of its vast portfolio at the height of the Covid-19 sell-off in March, pledging to use the proceeds to buy back shares, bonds and increase its cash reserves. Investors have pushed up the price of its bonds since then, complicating its buyback plans.

"We are out in the market to buy our bonds, but many of our investors want to hold onto them," Son said, suggesting that the group's cash balance remains high because it missed the tender offer target.

To make use of the excess cash with big bond redemptions a few years away, Son also announced a new investment management subsidiary.

The subsidiary, funded 67% by SoftBank Group and 33% by Son himself, will primarily buy highly liquid public listed stocks with call and put options for hedging purposes. To test the concept, the new unit has already bought shares in about 30 companies, mainly tech stocks including Amazon, Apple, and Facebook, Son revealed.

TAKAHIRO OKAMOTO

It plans a public offering of a ¥20bn (US\$189m) 40-year bond.

The university had earlier unveiled a plan to raise about ¥100bn over the next 10 years from ultra long-end bonds.

Its vice president told DealWatch, IFR's sister publication, last month that it was looking to promote its bond as an investment in its socially useful activities.

Daiwa, SMBC Nikko and Mizuho will lead the deal.

SYNDICATED LOANS

QUARTET TO SELL DOWN BAIN MBO LOAN

The underwriters of a ¥102.5bn (US\$968m) financing backing Bain Capital's ¥131bn management buyout of Tokyo-based nursing care provider **NICHII GAKKAN** are preparing to sell down a portion of the loan now that the acquisition is close to the finish line.

The private equity firm now owns 82.27% of the target following the close of its tender offer on Monday and is looking to acquire the remainder so that it can delist Nichii Gakkan from the Tokyo Stock Exchange.

MUFG, Mizuho Bank, Sumitomo Mitsui Banking Corp and Nomura Capital Investment have underwritten ¥34.69bn, ¥30.83bn, ¥26.98bn and ¥10bn respectively of the seven-year loan.

Bain fended off a last-minute higher bid from rival PE firm Baring Private Equity Asia that valued Nichii Gakkan at ¥146bn.

Bain clinched the deal as Baring did not have the support of Nichii Gakkan's founding family members. Bain said it had secured a 44% stake from Nichii Gakkan's top management and founding family members.

Bain also struck a deal with Singapore-based Effissimo Capital Management, which owns 12.46% of Nichii Gakkan.

Bain has said Effissimo would tender its shares in exchange for an undisclosed stake in a vehicle that would indirectly own Nichii Gakkan.

The loan backing Bain's offer is split into a ¥20.5bn amortising portion and a ¥82bn bullet piece.

Last month Bain increased its loan size from ¥98.6bn and also increased its equity contribution to ¥28.1bn from ¥27bn. BCJ-44, Bain's special purpose vehicle, is the borrower and acquiring entity.

EQUITY CAPITAL MARKETS

FOUNDER SELLS DOWN GRACE TECH BLOCK

GRACE TECHNOLOGY's founder and president and associated parties have raised ¥12bn (US\$113m) from an overnight block trade

in the Japanese business support company, according to a person close to the deal.

The sell-down of 2.6m shares, or 18.3% of outstanding, was priced at ¥4,626 each or a 10% discount to the pre-deal close of ¥5,140. The block was marketed at an 8%–11% discount.

The selling shareholders are founder and president Yukiharu Matsumura, his asset management company NMC KK and family member Nobuko Matsumura.

Yukiharu Matsumura remains Grace's largest shareholder with a 9.85% stake, down from 16.63%.

There is a 180-day lock-up on the sellers.

Goldman Sachs was the sole bookrunner.

I-NE PLANS TSE IPO

Japanese cosmetics and beauty company **I-NE** is planning an IPO of up to ¥6.2bn on the TSE.

The offering of 1.7m primary shares and 428,400 secondary shares is being marketed in an indicative price range of ¥2,050–¥2,890, giving the company a potential market capitalisation of ¥18.6bn–¥26.2bn.

There is an overallotment option of 321,300 primary shares.

Retail buyers will be allocated about 70% of the deal and institutional investors the remainder.

Established in 2007, I-ne runs a range of beauty-focused brands including Botanist, Salonia and Laka, with sales channels covering Asia, Australia and North America.

Bookbuilding will run from September 8 to 14. The deal will price on September 15 and the shares are expected to list on the bourse on September 25.

SMBC Nikko is the sole bookrunner.

LAOS

DEBT CAPITAL MARKETS

MOODY'S CUTS LAOS TO CAA2

Moody's has downgraded the **GOVERNMENT OF LAOS**'s issuer rating to Caa2 from B3 and changed the outlook to negative.

The rating cut reflects severe liquidity stress, given sizeable debt servicing payments due this year for US\$1.2bn, according to Moody's. The financing stress is set to continue until 2025 with the government facing average debt service repayments of a little over US\$1bn annually.

The rating agency said weak external and fiscal buffers as well as poor governance exacerbate the liquidity risk, pointing to

a material probability of a default in the near term. That probability could increase because of a more acute impact of the coronavirus shock.

The negative outlook reflects the risk of material losses to investors in the event of a default, said Moody's.

Laos has a US\$150m bond with a coupon of 6.875% due in June next year. The sovereign printed the US dollar debt in a club deal in December last year, which was its first offering to be widely marketed to international investors.

MACAU

DEBT CAPITAL MARKETS

WYNN MACAU RAISES FUNDS

Casino resort operator **WYNN MACAU** last Wednesday priced a US\$850m dual-tranche bond offering, as other Asian bond issuance paused due to a typhoon warning in Hong Kong.

It priced a new US\$600m eight-year non-call three senior bond at par to yield 5.625%, inside initial price talk of 5.75% area.

This was alongside a US\$250m reopening of its US\$750m 5.5% January 2026 bonds. The reopening priced at 100.25, from IPTs of 100 area, to yield 5.443%.

The existing 2026 bonds were quoted at a cash price of 100.625 and yield of 5.36% during bookbuilding.

Detailed book statistics were not released, but combined orders were over US\$2.4bn.

The 144A/Reg S bonds are expected to be rated B1/BB– (Moody's/S&P).

Proceeds will be used to repay part of a term loan.

Deutsche Bank was sole global coordinator and left lead bookrunner. *Banco Nacional Ultramarino, Bank of China Macau branch, Bank of Communications Macau, BNP Paribas, BOC International, Bank of America, DBS, ICBC (Macau), JP Morgan, Scotiabank, SMBC Nikko and UOB* were also bookrunners.

MALAYSIA

DEBT CAPITAL MARKETS

PKPP PLANS SEPTEMBER SALE

PERBADANAN KEMAJUAN PERTANIAN NEGERI PAHANG (PKPP) is exploring an offering off a newly

established M\$650m (US\$155.45m) sukuk wakala programme.

Maybank Investment Bank is sole lead financial adviser and arranger for the programme. Joint lead managers for the bond offering have not been formally appointed yet but Maybank is expected to be among them.

The deal is likely to be launched in September.

PKPP is a statutory agency in charge of developing the state of Pahang's agricultural sector and to lift the living standards of the rural community. Its strategic importance to the state government is a major consideration behind RAM's AA3 rating to the programme.

The agency is in the process of acquiring 16,500 hectares of mainly oil palm plantations that will bring its total planted coverage to about 56,000 hectares. The purchase is estimated to cost M\$950m which will be partly financed by the sukuk proceeds and partly funded with internal resources.

EQUITY CAPITAL MARKETS

MR DIY MEETS CORNERSTONES FOR IPO

MR DIY GROUP has started meeting potential cornerstone investors for a US\$300m–\$500m IPO and is targeting an October launch, people with knowledge of the transaction said.

The home improvement retailer's IPO will comprise 941.5m shares, of which 564.9m will be secondary and 376.6m primary. Private equity firm Creador and founder Tan Yu Yeh are among the vendors.

The institutional tranche will comprise 780m shares and retail 161.5m.

Mr DIY has over 500 outlets in Malaysia and also owns stores in Thailand, Brunei and Indonesia.

CIMB, Credit Suisse, JP Morgan, Maybank and RHB are the joint global coordinators and bookrunners with UBS.

NEW ZEALAND

DEBT CAPITAL MARKETS

TREASURY TO TAP APRIL 2027 LINE

The NEW ZEALAND TREASURY (Aaa/AA+/AA+) has mandated ANZ, BNZ, CBA and UBS as joint lead managers for a syndicated tap of the NZ\$7.25bn (US\$4.78bn) 4.5% April 15 2027 nominal bond, expected to launch this week.

This will be the Treasury's fourth syndicated issuance since the start of the coronavirus pandemic.

It follows a NZ\$3.5bn tap of the 1.5% May 15 2031s on April 9, a record NZ\$7bn sale of new 0.5% May 15 2024s on June 16 and a NZ\$4.5bn print of new 1.75% May 15 2041s on July 14.

These trades benefited from strong offshore demand, underpinned by New Zealand's attractive outright yields as well as the country's widely applauded Covid-19 response, despite a recent, modest spate of cases in Auckland.

In May, the Treasury raised its gross bond supply forecasts for the 2020/21, 2021/22, 2022/23, and 2023/24 fiscal years to NZ\$60bn, NZ\$40bn, NZ\$35bn and NZ\$30bn from NZ\$10bn, NZ\$8bn, NZ\$8bn and NZ\$6bn previously.

A revised borrowing programme is due to be revealed alongside the pre-election economic and fiscal update which is now due to be published on September 16.

This will precede the general election, which has been postponed by one month, until October 17, due to the rise in new cases and subsequent Auckland lockdown.

INVESTORE PROPERTY BUILDS NZ\$125M

INVESTORE PROPERTY raised the maximum NZ\$125m it had targeted for a seven-year senior secured fixed-rate retail note offer.

The 2.4% August 31 2027s priced last Friday at par, at the tight end of the mid-swaps plus 200bp–220bp guidance.

Westpac was arranger and joint lead manager with ANZ, Forsyth Barr and Jarden.

The commercial real estate investment company previously issued an unrated NZ\$100m 4.4% six-year retail note in March 2018.

MERCURY NZ PLANS GREEN DEBUT

MERCURY NZ, rated BBB+ (S&P), has mandated ANZ as arranger and green bond coordinator as well as joint lead manager with BNZ, Craigs Investment Partners and Forsyth Barr for a maximum NZ\$200m seven-year senior unsecured fixed-rate green bond offer.

The offer is expected to open on August 31 and close on September 4.

Mercury NZ, a New Zealand electricity generation and retailing company, will become only the third Kiwi corporate to issue green bonds in the local market following last year's deals from Argosy Property and Contact Energy.

The proceeds of the green bonds are intended to finance and refinance eligible projects in accordance with Mercury's green financing framework dated August

2020, primarily the construction of the Turitea wind farm.

PHILIPPINES

DEBT CAPITAL MARKETS

AYALA LAND PLANS BOND EXCHANGE

AYALA LAND plans to sell Ps6.25bn (US\$129m) of five-year fixed-rate retail bonds together with an exchange offer for 4.625% bonds due October 10 2020, according to a filing on the Philippine Stock Exchange.

The bond exchange by the property developer is the first of its kind in the domestic bond market.

Holders of the October 2020s will be given the option to settle their subscription, fully or partially, by exchanging at a ratio of one to one based on the principal amount of the respective bonds. Holders that opt for the exchange will receive accrued interest, net tax, on the day of the issuance and listing of the new bonds.

The offering is the fifth tranche of a Ps50bn bond programme that was filed with the Securities and Exchange Commission of the Philippines in April last year.

BDO Capital & Investment Corp, BPI Capital Corp, China Bank Capital Corp, First Metro Investment Corp and SB Capital Investment Corp are joint lead underwriters and bookrunners for the public offering.

In June, Ayala Land raised Ps10bn from two-year fixed-rate bonds at 3% following a strong response from investors.

SM INVESTMENTS TO SELL RETAIL BONDS

SM INVESTMENTS is planning to raise up to Ps15bn from three, five and/or seven-year bonds, according to a filing on the Philippine Stock Exchange.

The Philippine conglomerate is eyeing Ps10bn with an oversubscription option of Ps5bn. PhilRatings has assigned a Aaa rating to the bonds.

The issue is part of a Ps30bn debt securities programme filed with the Securities Exchange Commission under a three-year shelf registration.

SYNDICATED LOANS

UDENNA'S RBL ATTRACTS ONLY TWO BANKS

UDENNA CORP's US\$400m four-year reserve-based lending facility has finally closed

after attracting only two lenders in syndication, which lasted seven months.

Deutsche Bank joined as lead arranger, committing US\$50m, while asset management firm *Federated Hermes* took US\$10m as arranger.

Mandated lead arrangers and bookrunners *ANZ* and *ING Bank* ended up with US\$178.2m and US\$161.8m, respectively, accounting for 85% of the deal size.

The deal struggled to draw any interest given the volatility in oil prices amid the market uncertainty and disruption stemming from the coronavirus outbreak.

UC Malampaya Philippines, a wholly owned unit of Philippine oil and shipping group Udenna, is using the senior secured loan to fund its acquisition of a 45% stake in the Malampaya gas field located offshore Palawan Island from *Chevron Philippines*.

The financing is structured as a borrowing base facility with the drawdown amounts tied to the net present value of the borrower's future cashflows from its assets linked to the Malampaya project.

The RBL, which pays an interest margin of 400bp over Libor, also carries a corporate guarantee from Udenna.

In February, Udenna won clearance from the Philippine Competition Commission to acquire all of *Chevron Malampaya*, a wholly owned subsidiary of *Chevron Philippines*.

Chevron Malampaya and *Shell Philippines Exploration* each own 45% of

the Malampaya gas field. *PNOC Exploration Corp*, a subsidiary of state-owned *Philippine National Oil*, holds the remaining 10%.

Shell Philippines is the developer and operator of the US\$4.5bn Malampaya gas project, which supplies fuel to gas-fired plants in Luzon province.

EQUITY CAPITAL MARKETS

CONVERGE ICT PLANS IPO PRE-MARKETING

Internet service provider **CONVERGE ICT SOLUTION** plans to start pre-marketing an IPO of up to Ps31bn (US\$641m) in September, people with knowledge of the transaction said.

The IPO comprises a base deal of up to 1.3bn shares with an overallotment option of 195m shares at a maximum price of Ps24. The company is expected to raise around US\$500m as IPOs in the Philippines are typically priced well below the maximum price.

Up to 415.7m primary shares and 886m secondary shares will be sold in the base deal. *Comclark Network and Technology Corporation*, backed by *Warburg Pincus*, and *Coherent Cloud Investments* are the vendors of the secondary shares. Around 70% of the offer will be sold to institutions and 30% to local brokers and retail investors.

Morgan Stanley and *UBS* are the joint

global coordinators and joint bookrunners with *BDO Capital* and *BPI Capital*.

Converge ICT is the country's largest broadband operator with a 54% market share as of March 31 2020. It reported revenue of Ps9.1bn for the year ended December 31 2019 and operating earnings of Ps4.6bn.

Warburg Pincus invested US\$250m in the broadband service provider last year in its first investment in the Philippines.

Local businessman *Dennis Uy* is the founder of *Converge ICT*.

The IPO funds will be used for the company's planned US\$1.8bn expansion of the national internet network.

SINGAPORE

DEBT CAPITAL MARKETS

OLAM RETURNS TO BOND MARKET

Agri-business company **OLAM INTERNATIONAL** on Monday priced S\$400m (US\$293m) 5.5-year senior unsecured bonds at par to yield 4%, inside initial guidance of 4.25% area.

This was equivalent to 344bp over the interpolated 5.5-year SOR.

Pricing was inside *Olam's* secondary curve, said managing director and group

A-REIT makes green bond debut

Bonds Singaporean property trust's rare rated issue achieves tight pricing

ASCENDAS REIT, an industrial property and business park trust, on Monday sold a debut green bond via sole bookrunner, lead manager and green finance adviser *OCBC*.

HSBC Institutional Trust Services (Singapore), in its capacity as trustee of A-REIT, priced a capped S\$100m (US\$73m) 10-year offering at par to yield 2.65%, inside initial guidance of 2.85% area. Pricing was equivalent to 180bp over SOR.

The senior unsecured bonds are expected to be rated A3 by *Moody's*, supported by state-owned *Temasek Holdings'* link to the REIT, and will be issued off a S\$7bn euro medium-term securities programme. *Temasek* holds a 51% stake in *CapitalLand*, which is the sponsor of A-REIT with a 19% shareholding.

Rated issues are relatively rare in the Singapore dollar market, and this helped compress pricing. The yield of 2.65% looked

competitive compared with bonds from other *Temasek*-linked names. *Mapletree Commercial Trust*, which is rated Baa1 by *Moody's* but issued unrated bonds, had 2029s quoted at 2.77%, so A-REIT, rated a notch higher, managed to print 12bp inside that for a tenor nine months longer.

Singaporean investors had generally been looking for yields of around 3% in the domestic bond market, but that expectation dropped to high 2% as rates declined.

Demand was strong enough to close books at noon, and final orders were over S\$650m from 47 accounts, with investors from Singapore taking 97% of the bonds. Asset managers, insurers and hedge funds booked 80%, banks and corporates 11%, and private banks 9%.

The bonds will be issued under a newly established green finance framework that aligns with industry-standard green bond

and loan principles and has a second opinion from E&Y.

"The proceeds from our green bonds or loans will allow us to finance green projects that mitigate climate change by reducing greenhouse gas emissions, improving energy efficiency, reducing water consumption or having other positive environmental impact," said *William Tay*, CEO and executive director of A-REIT's manager, *Ascendas Funds Management*, in a statement.

The industrial property and business park REIT owns properties in Singapore, Australia, the UK and US.

Proceeds from the green bond will be used entirely to refinance 17 portfolio properties including *Nexus@one-north* and *ONE@ChangiCity* that have a minimum rating of Green Mark Gold Plus from Singapore's Building and Construction Authority.

DANIEL STANTON

OCBC demands repayments from KS Energy

■ Loans Lender could wind up group within six months on non-payment

Offshore and marine engineering firm KS Energy and its subsidiaries have been sent a demand by OCBC Bank to repay certain term loans and bridge facilities that were outstanding as at July 31, according to a stock exchange disclosure on Monday.

The Singaporean bank has demanded that **KS DRILLING**, a 80.09%-owned subsidiary of KS Energy, repay a US\$230.68m term loan and S\$5.15m (US\$4m) bridge facility and that KSDL subsidiary **KS RIG INVEST** repay a S\$5.16m bridging loan, or that the company and its subsidiaries as guarantors pay the sum.

Singapore-listed KS Energy and its subsidiaries had originally received letters of demand on August 6 from OCBC's solicitors, Shook Lin & Bok, seeking repayment of the loans within seven days.

OCBC could wind up the company and its subsidiaries within six months if they fail to pay the demanded sum. The usual three-

week period to pay the sum due under the Singapore Insolvency, Restructuring and Dissolution Act 2018 has been extended to six months under Covid-19 temporary measures passed in April.

KS Energy said the demands it received from OCBC are for guarantees it issued for US\$150m of KSDL's term loan, and S\$5m of the bridging loan.

For the KSDL loan, OCBC has demanded a repayment of US\$150m from KSDL subsidiaries KS Discoverer 1, KS Discoverer 2 and KS Discoverer 4 in their capacities as guarantors under the term loans.

Another KSDL subsidiary, KS Drilling Operating Company, had received a letter of demand for US\$115.68m in its capacity as guarantor under the term loan.

For the KSRI bridge, the Singaporean lender demanded repayment of S\$5m from guarantors KSDL and KS Rig Invest Three.

KS Energy said that KSDL's term loan has security, including mortgages over certain of KSDL's jack-up and land rigs in favour of OCBC. The bridge loan is unsecured.

The company said it is seeking legal advice and will engage with OCBC to remedy the situation.

Singapore headquartered KS Energy is an investment holding company that is listed on the main board of SGX-ST, part of the Singapore Exchange. Its core activities are the provision of drilling and rig management services, specialised engineering and fabrication services, and the distribution of parts and components.

KSDL is an investment holding company whose subsidiaries are mainly engaged in onshore and offshore drilling services, rig management and support services, oilfield equipment ownership and leasing.

MIRZAAN JAMWAL

CFO N Muthukumar in a statement, while OCBC credit research put fair value at 4%–4.15%. This was Olam's lowest coupon for a benchmark transaction in either Singapore dollars or US dollars.

Final books were not announced, but the issue was well subscribed, according to the company statement. When final guidance was announced, books were over S\$900m, including S\$40m from the leads.

The relatively attractive yield attracted private bank investors, who have tended to support Olam deals in the past and were encouraged by a 25-cent rebate for their orders.

The unrated Reg S notes will be issued off a US\$5bn EMTN programme. State-owned Temasek Holdings is the company's largest shareholder, with a 54% stake.

ANZ, Credit Suisse, DBS, HSBC and Standard Chartered were joint bookrunners for the deal, Olam's first since 2017.

The bonds were seen slightly below reoffer in secondary trading on Tuesday morning.

SYNDICATED LOANS

■ OLAM LIFTS SAMURAI LOAN TO ¥39BN

Olam International has increased the size of its Samurai loan to ¥38.85bn (US\$369m) even as it holds talks on a multi-tranche refinancing of up to US\$2bn.

The Samurai deal, launched at an original ¥25bn target, attracted a dozen banks, the Singapore-headquartered food and agri-business said in a statement on Monday.

The new loan is split into a ¥27.6bn three-year tranche and a ¥11.25bn five-year piece, which pay interest margins of 60bp and 75bp over Libor, respectively, and offered an upfront fee of 15bp.

Mandated lead arrangers and bookrunners MUFG, Mizuho Bank, Sumitomo Mitsui Banking Corp and Development Bank of Japan had pre-funded the loan in July. Mizuho is the facility agent.

Wholly owned subsidiary **OLAM TREASURY PTE LTD** is the borrower of the deal.

Olam is the guarantor of the loan, the proceeds of which will be for general corporate purposes, including the refinancing of a ¥25bn three-year loan completed in July 2017. That loan paid a margin of 45bp over Libor.

Earlier this month, Olam signed a US\$200m loan from the *European Bank for Reconstruction and Development*.

The loan will be used to finance purchases of agricultural commodities such as hazelnuts, dry dairy products, grain and onions in Turkey, Egypt, Georgia, Poland and Ukraine.

The loan replaces Olam's existing US\$150m facility, also from the EBRD, that matures in December.

It is in talks with banks to raise up to

US\$2bn from a multi-tranche revolving credit facility.

For full allocations, see www.ifre.com.

■ SEMBCORP BORROWS FOR SOLAR PLANT

DBS Bank has provided S\$40m (US\$29m) to **SEMBCORP INDUSTRIES** to build a solar power plant in Singapore, according to a statement from the bank on Thursday.

On Tuesday, Sembcorp announced the start of construction of the 60MW floating solar power system on the Tengeh Reservoir.

The project is scheduled to be completed in 2021.

Sembcorp Floating Solar Singapore, Sembcorp's wholly owned subsidiary, and Public Utilities Board, Singapore's national water agency, have signed a 25-year power purchase agreement for the supply of energy from the project to PUB's local water treatment plants.

In February, PUB appointed Sembcorp Solar Singapore to design, build, own and operate the solar plant.

RESTRUCTURING

■ HYFLUX HEARING SET FOR OCTOBER

The Singapore High Court will hold a hearing on October 14 on the application by an unsecured working group (UWG) of

bank lenders to put cash-strapped **HYFLUX** under judicial management.

The UWG filed the application on August 12.

Under a timeline set by the court, other creditors will have to file affidavits on their response, if any, by September 1, while the Singapore water treatment company will have to file its affidavit by September 15. The UWG will have an opportunity to file its response to Hyflux's affidavit by September 29.

The UWG comprises Mizuho Bank, KfW, Bangkok Bank, BNP Paribas, Standard Chartered Bank, CTBC Bank and Korea Development Bank. The group is owed more than S\$900m (US\$659.2m).

The UWG creditors are being advised by *Hogan Lovells*, while Hyflux is advised by *Clifford Chance Asia*.

▶ PAC RADIANCE ASKS FOR MORE TIME

Financially strapped **PACIFIC RADIANCE** and subsidiaries Pacific Crest and CSI Offshore have applied to the Singapore High Court to extend their respective moratoria against legal proceedings.

A court hearing will be held on September 1 on the moratoria, which are due to expire on August 31.

The Singaporean offshore vessel owner did not redeem S\$100m of 4.3% bonds that matured on March 31.

Drew & Napier is legal adviser and *KPMG Services* is financial adviser to Pacific Radiance.

SOUTH KOREA

DEBT CAPITAL MARKETS

▶ KT CORP HOLDS INVESTOR CALLS

KT CORP, rated A3/A-/A, held investor calls starting on August 19 via *BNP Paribas*, *Citigroup*, *Credit Agricole*, *HSBC* and *Standard Chartered Bank* for a proposed US dollar Reg S bond offering with a short to intermediate maturity.

The telecom company previously visited the international bond market in July last year to print a dual-tranche Samurai bond. The company last issued a US dollar bond in 2017 when it raised US\$400m from a five-year note.

▶ SHINHAN FINANCIAL PLANS TIER 2

SHINHAN FINANCIAL GROUP, rated A1/A (Moody's/S&P), plans to raise up to US\$500m from Tier 2 notes, according to a filing on August 13.

The proposed offering could come to the market this year or early next year, subject to market conditions, said an official at the South Korean financial holding company.

In another filing on the same day, the company also laid out plans to print up to W500bn (US\$422m) of Additional Tier 1 capital.

▶ KB KOOKMIN SWIPES AN ABS

KB KOOKMIN CARD has issued S\$311.467m (US\$227.3m) Class A2 secured notes due 2024 at par to yield 1.02% via issuer KB Kookmin Card Seventh International.

The privately placed notes, expected to be rated AAA by Fitch Hong Kong, are secured by, among other things, another Class A2 1.02% asset-backed bond due 2024 with an identical size of S\$311.467m issued by KB Kookmin Seventh Securitization. The latter bond is indirectly backed by a pool of credit card receivables from originator KB Kookmin Card.

Proceeds from the Class A2 secured notes will be used partly to subscribe for the Class A2 asset-backed bond, and partly to subscribe to a US\$275m Class A1 floating-rate bond due 2024.

DBS Seoul is the swap provider as well as initial subscriber to the Class A2 notes which settled on August 13.

KB Kookmin Card, owned by Kookmin Financial Group, is South Korea's third-largest credit card company by assets.

▶ KDB PRINTS TIGHT KANGAROO

KOREA DEVELOPMENT BANK (Aa2/AA/AA-) raised A\$500m from a dual-tranche three-year Kangaroo bond last Tuesday that priced inside its US dollar curve.

A A\$200m floating-rate note priced at three-month BBSW plus 62bp, inside initial

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70bp area and revised 68bp area guidance, while a A\$300m 0.8325% fixed-rate note priced at par, 62bp wide of asset swaps.

The margin is the year's tightest to date for a three-year bank Kangaroo issue or local three-year MTN from an international bank's Australian branch.

ANZ priced a A\$1.1bn three-year FRN on January 7 at three-month BBSW plus 62bp, while a new major bank three-year would be around 40bp–45bp over, according to syndication desks.

ANZ, KDB Asia, MUFG and NAB were joint lead managers for the transaction.

KDB previously issued a A\$700m two-part five-year Kangaroo in August last year, which remains the largest such issue by a Korean credit Down Under.

SYNDICATED LOANS

› M&G SIGNS KOREA'S FIRST GREEN LOAN

Global property investment manager **M&G REAL ESTATE ASIA** has signed a W115bn (US\$97m) green loan with *OCBC Bank*, the first such borrowing from South Korea, according to a press release on Friday.

The borrowing was issued under a green loan framework that was prepared together with OCBC Bank in accordance with the Green Loan Principles issued in 2018 and updated in 2020 by the Asia Pacific Loan Market Association, the Loan Market Association and the Loan Syndications and Trading Association.

The facility will refinance an investment in Northgate, a green building in Seoul's central business district, and is part of the M&G Asia Property Fund.

The building's notable green features include rainwater recycling systems, water efficient fixtures, LED lightings in common areas, automated heating ventilation and air conditioning controls, as well as lighting fixtures.

TAIWAN

DEBT CAPITAL MARKETS

› QNB SELLS DIM SUM FORMOSA

QATAR NATIONAL BANK, rated Aa3/A/A+, has priced Rmb750m (US\$108m) 5.5-year senior unsecured bonds denominated in offshore renminbi at par to yield 3.5%, unchanged from price guidance.

The Dim Sum Formosa bonds, to be issued off a US\$17.5bn MTN programme,

have an expected Aa3 rating by Moody's. They will be listed on the London Stock Exchange and the Taipei Exchange.

QNB Finance is the issuer and the government-owned bank is the guarantor.

Proceeds from the Reg S issue will be used for general corporate purposes.

Standard Chartered Bank (Taiwan) was sole lead manager on the offering.

QNB is an active issuer in the CNH market. It priced a Rmb1.2bn 3.85% five-year Formosa bond on June 22, following a Rmb1.2bn 3.80% five-year bond priced on June 3.

SYNDICATED LOANS

› SUPREME TO MANDATE US\$202M LOAN

Taiwanese electronics wholesaler **SUPREME ELECTRONICS** and its Hong Kong-incorporated unit **GOLDEN SUPREME INTERNATIONAL** are expected to mandate *Bank of Taiwan* for a US\$202m-equivalent loan.

Supreme Electronics is the borrower on a NT\$3bn (US\$102m) portion, while Golden Supreme International is the borrower on a US\$100m piece.

Funds are for refinancing and working capital purposes.

The duo's most recent visit to the loan market was in September 2017 for a US\$132m-equivalent loan. Taiwan Cooperative Bank was the mandated lead arranger and bookrunner of that transaction, which comprised a NT\$1.98bn tranche A, that can be drawn in NT or US dollars, and a US\$66m tranche B.

The NT dollar portion for tranche A pays an interest margin of 120bp over Taibor, with a pre-tax interest rate floor set at 1.8%. Tranche B's interest margin is 120bp over Libor. The borrower will pay any excess interest rate beyond a 35bp difference between TAIEX and Libor. Banks were offered a top-level upfront fee of 20bp.

› SHIN KONG TO WIN MALL MANDATE

CHINA PETROCHEMICAL DEVELOPMENT CORP is expected to mandate *Shin Kong Commercial Bank* for its NT\$35bn loan backing the redevelopment of the Living Mall in Taipei.

The privately owned bank is approaching relationship banks to expand the arranger group, and the terms are yet to be determined.

Chang Hwa Commercial Bank, the previous frontrunner to win the mandate, has quit leading the deal because of a lukewarm response from lenders to a NT\$30bn facility it had originally planned

to arrange for the borrower.

Shin Kong is expected to request a 100% guarantee from China Petrochemical to support the loan.

Last September, CPDC acquired the mall for NT\$37.2bn through development unit Core Pacific City, which is the operator of the mall located in Taipei's Songshan District.

CPDC plans to tear down Living Mall this year to build a top-class commercial zone with four new 19-floor office buildings slated to open in 2022.

In March, CPDC raised a NT\$3.9bn three-year loan for working capital purposes. Hua Nan Commercial Bank and Shin Kong were the mandated lead arrangers and bookrunners of that deal, which offers an interest margin of 133bp over Taibor.

Founded in 1969, Taiwan-listed CPDC is primarily engaged in the manufacture and sale of chemical products.

Both Core Pacific City and CPDC are units of Core Pacific Group, which owns civil engineering, construction, financial and entertainment businesses.

› QISDA SOUNDS FOR NT\$7BN LOAN

Electronic products maker **QISDA** is returning to the loan market after a year for a NT\$7bn facility.

The deadline for banks to bid for the mandate is the end of August.

Funds are for working capital purposes.

The borrower's previous visit was in August last year for an increased NT\$8.64bn five-year loan. Bank of Taiwan was the mandated lead arranger and bookrunner of the deal, which attracted 18 lenders in general syndication.

That borrowing comprises a NT\$1.5bn term loan tranche A, a NT\$7.14bn revolving credit tranche B and a NT\$5.94bn guarantee tranche C. Tranches B and C cannot exceed a combined amount of NT\$7.14bn.

Tranches A and B offer an interest margin of 50bp over Taibor, with a pre-tax interest rate floor of 1.7%, while tranche C offers an annual guarantee fee of 50bp.

Established in 1984, the Taiwan-listed borrower makes products such as LCD monitors, projectors, scanners and printers.

› WORLD PEACE CLOSES NT\$16BN LOAN

Electronic products distributor **WORLD PEACE INDUSTRIAL** has closed its NT\$16bn-equivalent three-year loan after attracting 10 banks in general syndication.

Taiwan Cooperative Bank was the original mandated lead arranger and bookrunner of the transaction, while *Hua Nan Commercial Bank* joined with the same title.

Signing took place on Tuesday.

The deal comprises a NT\$10bn tranche A for Word Peace Industrial and a US\$200m tranche B for unit **WORLD PEACE INDUSTRIAL (HONG KONG)**.

The NT dollar tranche A pays an interest margin of 55bp over Taibor with a pre-tax interest rate floor set at 1.7%, while the margin on the US dollar tranche B is 80bp over Libor. The borrower will pay any excess interest rate beyond a 45bp difference between TAIEX and Libor. Lenders were offered a top-level upfront fee of 10bp.

Funds are to refinance a NT\$7.2bn-equivalent three-year loan the borrower raised in August 2017 and for working capital purposes.

Chang Hwa Commercial Bank, E.Sun Commercial Bank, Far Eastern International Bank, Hua Nan, Mizuho Bank and Taiwan Cooperative were the MLABs of that deal.

The NT\$7.2bn revolving credit tranche A pays an interest margin of 60bp over Taibor with a pre-tax interest rate floor set at 1.7%, while the margin on the US\$240m revolver tranche B is 85bp over Libor. The borrower will pay any excess interest rate beyond a 40bp difference between TAIEX and Libor.

The borrower's previous loan market visit was in October 2018 for a NT\$12bn-equivalent three-year loan. Bank of China, Cathay United Bank, E. Sun, Mega International Commercial Bank, Mizuho,

MUFG and Taiwan Cooperative were the MLABs.

The Taiwan-listed borrower, established in 1980, distributes semiconductors, electronic components and computer products mainly in Asia.

For full allocations, see www.ifre.com.

» HIGHWEALTH CONSTRUCTION DRAWS 10

Taiwan-listed property developer **HIGHWEALTH CONSTRUCTION** signed a NT\$10bn bullet term loan on Wednesday after attracting 10 lenders in general syndication.

KGI Bank was the mandated lead arranger and bookrunner of the three-year transaction, which offers a three-year extension option at the end of the third year.

The borrowing comprises an NT\$8bn term loan tranche A and a NT\$2bn term loan tranche B.

Tranche A can be further split into a NT\$5bn tranche A1 for banks and a NT\$3bn tranche A2 for bills finance firms.

Tranches A1 and A2 offer interest margins of 94bp and 89bp, respectively, over the one-year post office savings rate. Tranche B pays a margin of 104bp over the one-year post office savings rate.

Proceeds are for refinancing and working capital.

The borrower's unsold properties form the security package, while its chairman

Cheng Chih-Lung serves as a guarantor to the loan.

In March, Highwealth raised a NT\$6.2bn five-year term loan for a property in Taichung. KGI Bank and Bank SinoPac were the MLABs of that transaction, according to Refinitiv LPC data.

For full allocations, see www.ifre.com.

» UNISON SIGNS NT\$3.5BN REFI

Cemetery developer and operator **UNISON DEVELOPING** has signed a NT\$3.53bn five-year refinancing after attracting five lenders in general syndication.

Cathay United Bank was the mandated lead arranger and bookrunner of the loan, which offers an interest margin of 265bp over three-month Taibor and has an after-tax interest rate floor of 3%.

Signing took place on Monday.

The facility now comprises a NT\$2.7bn tranche A and a NT\$830m tranche B.

Funds are to refinance a NT\$4.33bn five-year borrowing signed in September 2016 and to expand a cemetery in Keelung, a city in northern Taiwan. Cathay also led that deal, which pays an identical margin as the latest deal despite having a lower interest rate floor of 2.75%.

Established in 1999, Unison is headquartered in Taipei.

For full allocations, see www.ifre.com.

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THAILAND

DEBT CAPITAL MARKETS

AP THAILAND IN THE MARKET

Property company **AP THAILAND**, rated A- by Tris, was marketing three and five-year bonds last Friday to raise a minimum of Bt1.5bn (US\$48m).

Initial price guidance was 2.8%–3% on the three-year tranche and 3.4%–3.5% on the five-year, with subscription scheduled for August 26–27. The issuer replaced a four-year tranche with the five-year after feedback from institutional and high-net-worth investors.

Kasikornbank and *UOB Thailand* are joint lead managers and underwriters. Proceeds will be used to repay bank loans and fund working capital.

JMT RAISES DEBT

JMT NETWORK SERVICE, rated BBB by Tris, has priced three and 3.5-year bonds at par to yield 4.0% and 4.4%, respectively.

The Thai debt collection services company aims to raise a minimum of Bt2bn from the offering to institutional and high-net-worth investors. Subscription will be held from August 28 to September 1 after which the final size of the unrated bond will be determined.

Proceeds will be used to fund investments and general corporate needs.

Asia Plus Securities, *Capital Nomura Securities*, *Kasikornbank*, *KTB Securities Thailand*, *Maybank Kim Eng Securities Thailand*, *Merchant Partners Securities*, *RHB Securities Thailand* and *Yuanta Securities Thailand* are joint lead managers.

RESTRUCTURING

PRECIOUS SHIPPING GETS EXTENSION

PRECIOUS SHIPPING has reduced its short-term liquidity problems after investors holding Bt3.59bn (US\$114m) of its 5.25% outstanding bonds agreed to extend the maturities by a year and a half.

The Thai dry bulk vessel owner and operator also disclosed in a recent management briefing that it had settled disputes and claims with a shipyard, from which it retrieved US\$40.5m of advances paid for vessels to be built.

As a result, Tris has removed the credit from its watchlist and affirmed Precious Shipping's rating at BB+ with a negative outlook.

The 5.25% bond due January 22 2021 will now mature on July 22 2022, and the coupon will be increased to 6.75% from January 22 2021.

The issuer had in May also obtained investor approval to extend the maturity of a Bt1.568bn bond by 1.5 years to December 9 2021 with an increased coupon from 5% to 6.5%.

"These amendments have allowed us to extend our cash runway, a step which makes us more resilient and better equipped to weather the impact of Covid-19," said a company statement on the Stock Exchange of Thailand.

However, Tris cautioned that the company would continue to face immense operational challenges through 2020 to 2021 from the global economic downturn, the lingering impact of the coronavirus pandemic and the continuing US-China trade tensions.

Vietnam

DEBT CAPITAL MARKETS

HSBC SELLS FIRST LOTUS BONDS

HSBC BANK (VIETNAM) has become the first foreign bank to issue bonds in Vietnam on its 150th anniversary in the country.

It sold D600bn (US\$26m) three-year bonds at par to yield 5.8%.

HSBC calls the notes Lotus bonds, named after Vietnam's national flower.

The bonds, sold on August 10, were oversubscribed. Proceeds will increase the bank's operating capital and diversify its funding sources.

SYNDICATED LOANS

MOBILE WORLD SIGNS INCREASED LOAN

Vietnamese retailer **MOBILE WORLD INVESTMENT** has closed syndication for an increased US\$120m borrowing after attracting 13 banks.

BNP Paribas was the sole mandated lead arranger and bookrunner on the one-year borrowing, which now comprises a US\$60m syndicated facility A and a US\$60m uncommitted facility B. The tranches had initial sizes of US\$50m each.

The syndicated facility paid a top-level all-in pricing of 270bp above Libor based on a 250bp interest margin.

Facility B may be available one month from the final maturity date of tranche

A if lenders get the necessary internal approvals.

The deal signing took place on August 11.

Mobile World operates retail stores for mobile phones, consumer products and groceries at over 3,000 locations in Vietnam. In 2017 it launched the BigPhone mobile phone retail chain in Cambodia.

The borrower will use the loan for working capital and capital expenditure purposes.

For full allocations, see www.ifre.com.

CHENG LOONG LOAN ATTRACTS SIX

A subsidiary of Taiwan-listed paper products maker Cheng Loong Corp has signed a US\$130m-equivalent five-year loan after attracting six lenders in general syndication.

CTBC Bank, *Mega International Commercial Bank* and *Taipei Fubon Commercial Bank* were the mandated lead arrangers and bookrunners. Mega was the facility agent.

Signing took place on Monday.

The facility comprises a US\$33m-equivalent tranche A, a US\$7m-equivalent tranche B and a US\$90m tranche C. The first two tranches are denominated in Vietnamese dong.

The dong portion offers an interest margin of 237.5bp over three-month Vnibor, while the US dollar portion pays a margin of 160bp over three-month Libor. The borrower will pay any excess interest rate beyond a 35bp difference between TAIFX and Libor.

Banks were invited to join with tickets of US\$21m-equivalent or more for an upfront fee of 15bp and the co-arranger title, or US\$13m–\$20m for a 10bp fee and the participant title.

CHENG LOONG BINH DUONG PAPER, a subsidiary of Cheng Loong Corp, is the borrower.

Proceeds will finance the expansion of a paper mill in Vietnam.

The borrower's land, factories and machinery form as security, while the parent serves as the guarantor for the loan.

Cheng Loong Binh Duong last tapped the market in August 2016 with a US\$165m five-year loan.

Mega International Commercial Bank led the borrowing, which offers an interest margin of 237.5bp over three-month or six-month Vnibor on the US\$15m-equivalent tranche A and a margin of 160bp over three-month Libor on the US\$150m tranche B. The borrower pays any excess interest rate beyond a 35bp difference between TAIFX and Libor.

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